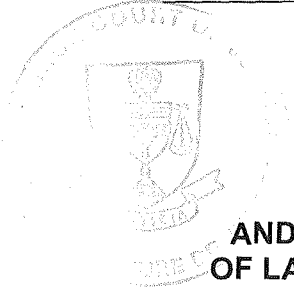


ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

THE HONOURABLE MR. JUSTICE)
H.J. WILTON-SIBBON)

WEDNESDAY, THE 14th
DAY OF DECEMBER, 2016

AKW'S



**IN THE MATTER OF THE COMPANIES' CREDITORS
ARRANGEMENT ACT, R.S.C. 1985, c. C-36, AS AMENDED**

**AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT
OF LABRADOR IRON MINES HOLDINGS LIMITED, LABRADOR IRON MINES
LIMITED and SCHEFFERVILLE MINES INC. (the "Applicants")**

Applicants

PLAN SANCTION ORDER

THIS MOTION, made by the Applicants, pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C36, as amended, was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the Plan Affidavit, the Plan Report, the Ninth Report of KSV Kofman Inc. ("KSV"), in its capacity as monitor of the Applicants (the "Monitor") dated December 9, 2016 (the "Ninth Report"), and on hearing the submissions of counsel for the Applicants, the Monitor, and those other parties present, no one else appearing although duly served as appears from the affidavit of service of Michelle Jackson sworn December 12, 2016, filed,

DEFINITIONS

1. THIS COURT ORDERS that all capitalized terms not otherwise defined herein shall be as defined in the Applicants' Plan of Compromise and Arrangement dated December 6, 2016 attached as Schedule "A" hereto (as it may be amended, modified or supplemented in accordance with its terms, the "Plan") or, if not therein defined, then as defined in the Meeting Order granted in this proceeding on November 10, 2016 (the "Meeting Order").

SERVICE

2. THIS COURT ORDERS that the time for service of the Notice of Motion and the Ninth Report be and is hereby abridged and validated, such that this Motion is properly returnable today and that any further service of the Notice of Motion, or the Ninth Report is hereby dispensed with.

3. THIS COURT ORDERS AND DECLARES that there has been good and sufficient service, delivery and notice of the Plan, the Meeting Order and the Information Packages to all Persons upon which notice, service and delivery were required, and that the Meeting was duly conducted in conformity with the *Companies' Creditors Arrangement Act* (the "CCAA") and all other Orders of this Court in these proceedings (the "CCAA Proceedings").

SANCTION OF THE PLAN

4. THIS COURT ORDERS AND DECLARES that:

- (a) the Plan has been approved by the Required Majority of Affected Unsecured Creditors in each of the two voting classes, being (1) the class of Affected Unsecured Creditors of LIMH, and (2) the class of the Affected Unsecured Creditors of LIM and SMI, all in conformity with the CCAA and the terms of the Meeting Order;
- (b) the Court is satisfied that the Applicants have acted, and are acting, in good faith and with due diligence, and have complied with the provisions of the CCAA and the Orders of this Court made in the CCAA Proceedings;
- (c) the Court is satisfied that the Applicants have not done nor have they purported to do anything that is not authorized by the CCAA; and
- (d) the Plan, all terms and conditions thereof, and the matters and the transactions contemplated thereby, are fair and reasonable to the parties affected.

5. THIS COURT ORDERS AND DECLARES that the Plan is hereby sanctioned and approved pursuant to Section 6 of the CCAA.

6. THIS COURT ORDERS that the Plan cannot be revoked, withdrawn, amended, modified and/or supplemented by the Applicants prior to the Plan Implementation Date, except in accordance with the express written terms of the Plan.

PLAN IMPLEMENTATION

7. THIS COURT ORDERS that on and as of the Plan Implementation Date, (a) the Plan shall be and shall be deemed to be effective, (b) the steps to be taken and the transactions, arrangements, reorganizations, assignments, cancellations, compromises, settlements, extinguishments, discharges, injunctions and releases to be effected on the Plan Implementation Date shall and shall be deemed to occur and be effected in

accordance with the terms of the Plan in the sequence and at the times contemplated by the Plan, without any further act or formality, (c) the treatment of Affected Claims) under the Plan shall be final and binding for all purposes and enure to the benefit of the Applicants, all Affected Creditors, the Released Parties, and all other Persons named or referred to in, or subject to, the Plan and their respective heirs, executors, administrators and other legal representatives, successors and assigns, (d) all Affected Claims shall be and shall be deemed to be forever discharged and released, excepting only the obligations to make distributions in respect of such Affected Claims in the manner and to the extent provided for in the Plan, and (e) each Person named or referred to in, or subject to the Plan, will be deemed to have consented and agreed to all of the provisions of the Plan, in its entirety.

8. THIS COURT ORDERS that the Applicants and the Monitor, as the case may be, are hereby authorized and directed to take all steps and actions necessary or appropriate to implement the Plan in accordance with and subject to its terms and conditions, and enter into, execute, deliver, complete, implement and consummate all of the steps, transactions, distributions, deliveries, allocations, instruments and agreements contemplated by, and subject to the terms and conditions of, the Plan, and all such steps and actions are hereby approved. Neither the Applicants nor the Monitor shall incur any liability as a result of acting in accordance with the terms of the Plan and this Plan Sanction Order.

9. THIS COURT ORDERS that upon the satisfaction or waiver, as applicable, of the conditions set out in Section 7.6 of the Plan in accordance with the terms of the Plan, as confirmed by the Applicants (or counsel on its behalf) to the Monitor in writing, the

Monitor is authorized and directed to deliver to the Applicants (or counsel on its behalf) a certificate substantially in the form attached hereto as Schedule "B" (the "Monitor's Plan Implementation Date Certificate"), signed by the Monitor, stating that all conditions precedent set out in Section 7.6 have been satisfied or waived and that the Plan Implementation Date has occurred. The Monitor shall file the Monitor's Plan Implementation Date Certificate with this Court as soon as reasonably practicable and post a copy of same, once filed, on the Monitor's Website and provide a copy to the Service List.

10. THIS COURT ORDERS that unless otherwise directed by the Court or agreed in writing between the Applicants and an Affected Secured Creditor, with the consent of the Monitor, Affected Secured Creditors with Affected Secured Claims shall:

- (a) within 30 days of the date of this Order, or such later date as the Applicants and the Monitor may agree, take possession of some or all of the collateral for their Claim, at a value that is either (i) agreed between the Affected Secured Creditor and the Applicants, and approved by the Monitor, or (ii) determined by the Court; and,
- (b) participate as Affected Unsecured Creditors for the balance of their Claims,

and for the avoidance of doubt, unless otherwise directed by the Court, where an Affected Secured Creditor fails to take possession of collateral for their Affected Secured Claim within the time contemplated above, they shall be deemed to have

released their security interest in the collateral and shall participate as Affected Unsecured Creditors for the balance of their Claim.

11. THIS COURT ORDERS that each of the Applicants and the Monitor is hereby authorized and empowered to exercise all consent and approval rights provided for in the Plan in the manner set forth in the Plan, whether prior to or after the Plan Implementation Date.

12. THIS COURT ORDERS that the Applicants, the Monitor, and any other Person required to make any distributions, deliveries or allocations or take any steps or actions related thereto pursuant to the Plan are hereby authorized and directed to complete such distributions, deliveries or allocations and to take any such related steps or actions, as the case may be, in accordance with the terms of the Plan, and such distributions, deliveries and allocations, and steps and actions related thereto, are hereby approved.

13. THIS COURT ORDERS that, subject to the payments and steps required by Sections 4.1 - 4.4 of the Plan, each of the Charges shall be terminated, discharged and released on the Plan Implementation Date, with the exception of the Administration Charge.

EFFECT OF PLAN IMPLEMENTATION

14. THIS COURT ORDERS that subject to the performance by the Applicants of their obligations under the Plan, and except to the extent expressly contemplated by the Plan or this Plan Sanction Order, no Person who is a party to any obligations or agreements shall, following the Plan Implementation Date, accelerate, terminate, rescind, refuse to

perform or otherwise repudiate its obligations thereunder, or enforce or exercise any right (including any right of setoff, option, dilution or other remedy) or make any demand under or in respect of any such obligation or agreement, by reason of:

- (a) any defaults or events of default arising as a result of the insolvency of the Applicants prior to the Plan Implementation Date;
- (b) the fact that the Applicants have sought or obtained relief under the CCAA or that the Plan has been implemented by the Applicants;
- (c) the effect on the Applicants of the completion of any of the transactions contemplated by the Plan;
- (d) any compromises or arrangements effected pursuant to this Plan; or
- (e) in respect of obligations or agreements with an Applicant, any other event(s) which occurred on or prior to the Plan Implementation Date which would have entitled any Person to enforce rights and remedies against an Applicant, subject to any express provisions to the contrary in any agreements entered into with an Applicant after the Filing Date.

15. THIS COURT ORDERS that for greater certainty, (a) nothing in paragraph 14 hereof shall waive, compromise or discharge any obligations of the Applicants in respect of any Excluded Claim, and (b) the designation of any claim as an Excluded Claim is without prejudice to the Applicants' right to dispute the existence, validity or quantum of any Excluded Claim, and (c) nothing in this Plan Sanction Order or the Plan shall affect or waive the Applicants' rights and defences, both legal and equitable, with respect to any Excluded Claim, including, but not limited to, all rights with respect to entitlements to set-offs or recoupments against such Excluded Claim.

16. THIS COURT ORDERS that from and after the Plan Implementation Date, all Persons shall be deemed to have waived any and all defaults of the Applicants then existing or previously committed by the Applicants, or caused by the Applicants, directly or indirectly, or noncompliance with any covenant, warranty, representation, undertaking, positive or negative pledge, term, provision, condition or obligation, expressed or implied, in any contract, instrument, credit document, lease, guarantee, agreement for sale, deed, licence, permit or other agreement, written or oral, and any and all amendments or supplements thereto, existing between such Person and any of the Applicants arising directly or indirectly from the filing by the Applicants under the CCAA and the implementation of the Plan, including without limitation any of the matters or events listed in paragraph 14 hereof and any and all notices of default and demands for payment or any step or proceeding taken or commenced in connection therewith under any such agreement shall be deemed to have been rescinded and of no further force or effect, provided that nothing herein shall be deemed to excuse the Applicants from performing their obligations under the Plan or be a waiver of defaults by the Applicants under the Plan and the related documents.

17. THIS COURT ORDERS that from and after the Plan Implementation Date, all Persons with an Affected Claim and all holders of Equity Claims shall be deemed to have granted, and executed and delivered to the Applicants all consents, releases, assignments and waivers, statutory or otherwise, required to implement and carry out the Plan in its entirety.

18. THIS COURT ORDERS that the Claims Procedure Order shall remain in full force, including in respect of the determination, adjudication, barring and extinguishment

of Claims and Restructuring Period Claims, in accordance with its terms. Without limiting the provisions of the Claims Procedure Order, any Person that did not file a Proof of Claim or a Notice of Dispute, as applicable, by the Claims Bar Date or the Restructuring Period Claims Bar Date, whether or not such Person received direct notice of the claims process established by the Claims Procedure Order, shall be and is hereby forever barred from making any Claim and shall not be entitled to any consideration under the Plan, and such Person's Claim shall be and is hereby forever barred and extinguished. Nothing in the Plan extends or shall be interpreted as extending or amending the Claims Bar Date or any other date provided for in the Claims Procedure Order, or gives or shall be interpreted as giving any rights to any Person in respect of Claims that have been barred or extinguished pursuant to the Claims Procedure Order, the Meetings Order, the Plan or this Plan Sanction Order.

19. THIS COURT ORDERS that from and after the Plan Implementation Date, any conflict between:

- (a) the Plan; and
- (b) the covenants, warranties, representations, terms, conditions, provisions or obligations, express or implied, of any contract, mortgage, security agreement, indenture, trust indenture, note, loan agreement, commitment letter, agreement for sale, lease or other agreement, written or oral and any and all amendments or supplements thereto existing between any Person and the Applicants as at the Plan Implementation Date,

will be deemed to be governed by the terms, conditions and provisions of the Plan and this Plan Sanction Order, which shall take precedence and priority.

RELEASES AND INJUNCTIONS

20. THIS COURT ORDERS that at the Plan Implementation Date (a) the releases provided in section 5.1 of the Plan are effective and binding on all Persons, (b) the Released Parties are forever released and discharged from any and all Affected Claims of any nature in accordance with the Plan, (c) the ability of any Person to proceed against the Released Parties in respect of or relating to any Affected Claims is forever barred, estopped, enjoined, discharged and restrained, and (d) all proceedings with respect to, in connection with or relating to such Affected Claims shall be permanently stayed, subject only to resolution of Disputed Claims in accordance with the Claims Procedure Order and the right of Affected Creditors to receive distributions pursuant to the Plan in respect of their Affected Claims.

21. THIS COURT ORDERS that all Persons (regardless of whether or not such Persons are Affected Creditors) are permanently and forever barred, estopped, stayed and enjoined, on and after the Plan Implementation Date, with respect to any and all Released Claims, from (a) commencing, conducting or continuing in any manner, directly or indirectly, any action, suits, demands or other proceedings of any nature or kind whatsoever against the Released Parties, as applicable; (b) enforcing, levying, attaching, collecting or otherwise recovering or enforcing by any manner or means, directly or indirectly, any judgment, award, decree or order against the Released Parties; (c) creating, perfecting, asserting or otherwise enforcing, directly or indirectly, any lien or encumbrance of any kind against the Released Parties or their property; or (iv) taking any actions to interfere with the implementation or consummation of the Plan; provided, however, that the foregoing shall not apply to the enforcement of any

obligations under the Plan, or any right or obligation arising pursuant to the Claims Procedure Order.

TERMINATION OF CCAA PROCEEDINGS

22. THIS COURT ORDERS that:

- (a) on the Plan Implementation Date, upon the delivery of the Monitor's Plan Implementation Date Certificate pursuant to this Plan Sanction Order, these CCAA Proceedings shall be terminated;
- (b) the Stay Period (as defined in the Initial Order) shall expire on the earlier of (a) the delivery of the Monitor's Plan Implementation Date Certificate pursuant to the terms of this Plan Sanction Order; and (b) January 27, 2017.
- (c) all Orders made in the CCAA Proceedings shall continue in full force and effect in accordance with their respective terms, except to the extent that such Orders are varied by or are inconsistent with the Plan, this Plan Sanction Order or any further Order of this Court; and
- (d) notwithstanding the termination of the CCAA Proceedings, the Court shall remain seized of any matter arising from these CCAA Proceedings or in respect of the Plan, including in respect of any matters arising from or that are incidental to the CCAA Proceedings, and the Applicants and KSV shall have the authority from and after the date of this Plan Sanction Order to apply to this Court to address matters incidental to these CCAA Proceedings notwithstanding the termination thereof.

THE MONITOR

23. THIS COURT ORDERS that the Eighth Report of the Monitor dated November 4, 2016 and the Ninth Report dated December 9, 2016, and the conduct and activities of the Monitor described therein, including the activities and conduct of the Monitor in relation to conducting and administering the Meetings on December 6, 2016 (as more particularly described in the Ninth Report), be and are hereby ratified and approved.

24. THIS COURT ORDERS that the Monitor, in addition to its prescribed rights and obligations under the CCAA and the powers provided to the Monitor herein and in the Orders and the Plan, shall be and is hereby authorized, directed and empowered to perform its functions and fulfill its obligations under the Plan to facilitate the implementation of the Plan.

25. THIS COURT ORDERS that the Monitor has satisfied all of its obligations up to and including the date of this Plan Sanction Order, and that (a) in carrying out the terms of this Plan Sanction Order and the Plan, the Monitor shall have all the protections given to it by the CCAA, the Initial Order, the Meeting Order and the Claims Procedure Order, and as an officer of the Court, including the stay of proceedings in its favour, (b) the Monitor shall incur no liability or obligation for any act or omission as a result of carrying out the provisions of this Plan Sanction Order and/or the Plan and in performing its duties as Monitor in the CCAA Proceedings, save and except for any gross negligence or wilful misconduct on its part, (c) the Monitor shall be entitled to rely on the books and records of the Applicants and any information provided by the Applicants without independent investigation; and (d) the Monitor shall not be liable for any claims or

damages resulting from any errors or omissions in such books, records or information, or with respect to any such information disclosed to or provided by the Monitor, including with respect to reliance thereon by any Person.

26. THIS COURT ORDERS that on the Plan Implementation Date, upon the delivery of the Monitor's Plan Implementation Date Certificate pursuant to this Plan Sanction Order, the Monitor shall be discharged and released from its duties, other than those obligations, duties and responsibilities that are necessary, required or desirable (a) to give effect to the terms of the Plan and this Plan Sanction Order, including assisting with and/or completing any remaining distributions provided for in the Plan; (b) to assist with the resolution of any remaining Disputed Claims pursuant to the Claims Procedure Order; and (c) in connection with the completion by the Monitor of all other matters for which it is responsible in connection with the Plan or pursuant to the Orders of this Court made in the CCAA Proceedings.

27. THIS COURT ORDERS that, subject to paragraph 26 of this Sanction Order, upon the delivery of the Monitor's Plan Implementation Date Certificate, KSV shall be deemed to be discharged from its duties as Monitor and released of all claims relating to its activities as Monitor, whether before or after the date of this Plan Sanction Order, including, for certainty, any activities referenced in paragraph 26 of this Plan Sanction Order.

28. THIS COURT ORDERS that, notwithstanding any provision of this Plan Sanction Order, the termination of the CCAA Proceedings or the discharge of the Monitor, nothing herein shall affect, vary, derogate from, limit or amend, and KSV shall continue

to have the benefit of, any and all of the rights, approvals and protections in favour of the Monitor at law or pursuant to the CCAA, the Initial Order, any other Order of this Court in these CCAA Proceedings or otherwise, including all approvals, protections and stays of proceedings in favour of KSV in its capacity as Monitor, all of which are expressly continued and confirmed.

GENERAL PROVISIONS

29. THIS COURT ORDERS that the Applicant, the Monitor and any other interested parties are hereby granted leave to apply to this Court for such further advice, directions or assistance as may be necessary to give effect to the terms of the Plan.

EFFECT, RECOGNITION AND ASSISTANCE

30. THIS COURT ORDERS that this Plan Sanction Order shall have full force and effect in all provinces and territories in Canada and abroad and as against all Persons against whom it may apply.

31. THIS COURT HEREBY REQUESTS the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada, the United States, or elsewhere to give effect to this Plan Sanction Order and to assist the Applicants, the Monitor and their respective agents in carrying out the terms of this Plan Sanction Order and the Plan. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Applicants and to the Monitor, as an officer of this Court, as may be necessary or desirable to give effect to this Plan Sanction Order, or to assist the Applicants and the

Monitor and their respective agents in carrying out the terms of this Plan Sanction Order and the Plan.

William H. J.

ENTERED AT / INSCRIT À TORONTO
ON / BOOK NO:
LE / DANS LE REGISTRE NO:

DEC 14 2016

PER / PAR: 

SCHEDULE "A"

Applicants' Plan of Compromise and Arrangement

PLAN OF COMPROMISE AND ARRANGEMENT

**PURSUANT TO THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c.
C-36, AS AMENDED
in respect of**

**LABRADOR IRON MINES HOLDINGS LIMITED
LABRADOR IRON MINES LIMITED and
SCHEFFERVILLE MINES INC.**

**December 6, 2016
(as amended December 14, 2016)**

PLAN OF COMPROMISE AND ARRANGEMENT

ARTICLE 1
INTERPRETATION

Section 1.1. Definitions

In this Plan (including the Schedules hereto), unless otherwise stated or the context otherwise requires:

“Administration Charge” has the meaning given to it in paragraph 32 of the Initial Order;

“Affected Claims” means, collectively, Affected Secured Claims and Affected Unsecured Claims;

“Affected Creditors” means, collectively, Affected Secured Creditors and Affected Unsecured Creditors;

“Affected Secured Claims” means all Claims against one or more of the Applicants that are secured by a valid, enforceable and perfected security interest over assets or property of the Applicants, to the extent of the value of the collateral forming the subject matter of the security interest, provided that they are not (i) Excluded Claims, or (ii) Equity Claims;

“Affected Secured Creditor” means the holder of an Affected Secured Claim in respect of and to the extent of such Affected Secured Claim, whether a Scheduled Creditor or an Unscheduled Creditor.

“Affected Unsecured Claims” means all Claims against one or more of the Applicants other than: (i) Affected Secured Claims; (ii) Excluded Claims, and (iii) Equity Claims;

“Affected Unsecured Creditor” means the holder of an Affected Unsecured Claim in respect of and to the extent of such Affected Unsecured Claim, whether a Scheduled Creditor or an Unscheduled Creditor;

“Amalgamated LIM” means that company to be formed, pursuant to this Plan, by the amalgamation of LIM and LIM Subco No. 1;

“Amalgamated SMI” means that company to be formed, pursuant to this Plan, by the amalgamation of SMI and SMI Subco No. 1;

“Applicants” and each an “Applicant” means Labrador Iron Mines Holdings Limited, Labrador Iron Mines Limited, and Schefferville Mines Inc;

"Business Day" means a day which is not (i) a Saturday or a Sunday; or (ii) a day observed as a holiday under the laws of the Province of Ontario or the federal laws of Canada applicable in the Province of Ontario;

"Cash Elected Amount" means \$5,000;

"CCAA" means the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36;

"CCAA Proceedings" means the proceedings before the Court in respect of the application by the Applicants commenced pursuant to the CCAA;

"Claim" means a Pre-Filing Claim, a Restructuring Period Claim and a Director/Officer Claim; provided, however, that "Claim" shall not include an Excluded Claim;

"Claims Bar Date" means 5:00 p.m. on May 31, 2016;

"Claims Officer" has the meaning given to it in paragraph 12 of the Claims Procedure Order;

"Claims Procedure Order" means the Order of the Honourable Justice Swinton dated April 18, 2016 establishing, *inter alia*, the procedure for Creditors to prove their Claims;

"Confirmation Date" means the date that the Sanction Order is made;

"Convenience Claim" means the Voting Claims of (a) an Affected Unsecured Creditor that, in the aggregate, are less than or equal to \$5,000; and (b) an Affected Unsecured Creditor that, in the aggregate, exceed \$5,000, but that such Affected Unsecured Creditor has validly elected to value at \$5,000 for both voting and distribution purposes under the Plan by delivering a Convenience Claim Election to the Monitor by the Election/Proxy Deadline;

"Convenience Claim Election" means an election, substantially in the form attached hereto as Schedule A, pursuant to which an Affected Unsecured Creditor with one or more Voting Claims has elected by the Election/Proxy Deadline to receive only the Cash Elected Amount and is thereby deemed to vote in favour of the Plan in respect of such Voting Claims and to receive no other entitlements under the Plan;

"Convenience Creditor" means a Person having a Convenience Claim;

"Court" means the Superior Court of Justice (Commercial List) in the City of Toronto in the Province of Ontario;

"Creditor" means any Person having a Claim and includes, without limitation, the transferee or assignee of a Claim transferred and recognized as a Creditor in accordance with the Claims Procedure Order or a trustee, executor, liquidator, receiver, receiver and manager, or other Person acting on behalf of or through such Person;

"Director/Officer Claim" means any right or claim of any Person against one or more of the Directors and/or Officers howsoever arising, whether or not such right or claim is reduced to

judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, unsecured, perfected, unperfected, present, future, known, or unknown, by guarantee, surety or otherwise, and whether or not such right is executory or anticipatory in nature, including any assessment and any right or ability of any Person to advance a claim for contribution or indemnity or otherwise with respect to any matter, action, cause or chose in action, whether existing at present or commenced in the future, including any right of contribution or indemnity, for which any Director or Officer of the Applicants is alleged to be by statute or otherwise by law liable to pay in his or her capacity as a Director or Officer;

“Directors” means all current and former directors (or their estates) of the Applicants in such capacity and **“Director”** means any one of them;

“Directors’ Charge” has the meaning given to it in paragraph 22 of the Initial Order;

“Disbursing Agent” means: (i) with respect to any money to be distributed pursuant to this Plan, the Monitor; and, (ii) with respect to any shares to be distributed pursuant to this Plan, any of the Applicants or a company licensed to carry on a securities transfer agency business, to be retained by the Applicants and approved by the Monitor;

“Disputed Claim” means a Disputed Voting Claim or a Disputed Distribution Claim;

“Disputed Distribution Claim” means an Affected Unsecured Claim (including a contingent Affected Unsecured Claim that may crystallize upon the occurrence of an event or events occurring after the date of the Initial Order) or such portion thereof that is not barred by any provision of the Claims Procedure Order which has not been allowed as a Distribution Claim, which is validly disputed for distribution purposes in accordance with the Claims Procedure Order and which remains subject to adjudication for distribution purposes in accordance with the Claims Procedure Order;

“Disputed Voting Claim” means an Affected Unsecured Claim (including a contingent Affected Unsecured Claim that may crystallize upon the occurrence of an event or events occurring after the date of the Initial Order) or such portion thereof that is not barred by any provision of the Claims Procedure Order, which has not been allowed as a Voting Claim, which is validly disputed for voting purposes in accordance with the Claims Procedure Order and which remains subject to adjudication for voting purposes in accordance with the Claims Procedure Order;

“Distribution Claim” means any Claim of an Affected Unsecured Creditor against the Applicants, or such portion thereof, that is not barred by any provision of the Claims Procedure Order and which has been finally accepted and determined for distribution purposes in accordance with the Claims Procedure Order and the CCAA;

“Distribution Date” means a date or dates occurring as soon as practicable after the Plan Implementation Date upon which distributions will be made to holders of Distribution Claims under the Plan;

"Dollars" or "\$" means lawful money of Canada unless otherwise indicated;

"Election/Proxy Deadline" means the deadline for making a Convenience Claim Election and for submitting proxies in accordance with the Meeting Order;

"Equity Claim" has the meaning set forth in Section 2(1) of the CCAA;

"Excluded Claims" and each an **"Excluded Claim"** means:

- (a) any Claim secured by any of
 - i. the Administration Charge; and,
 - ii. the Directors' Charge to the extent of the value of the collateral forming the subject matter of the charge;
- (b) any Claim of the province of Newfoundland & Labrador in respect of the fulfillment of the Applicants' site reclamation obligations under the applicable environmental laws of such province;
- (c) any Claim of the Toronto Dominion Bank in connection with letters of credit deposited with the environmental authorities of the province of Newfoundland & Labrador as security for the fulfillment of the Applicants' site reclamation obligations under the applicable environmental laws of such province, to the extent that Toronto Dominion Bank holds cash collateral in respect of such letters of credit;
- (d) any Claim of Quebec North Shore and Labrador Railway Company, Inc. ("QNS&L") in connection with Confidential Transportation Contract No. 001 between QNS&L and Labrador Iron Mines Limited executed on March 8, 2011, as amended; and,
- (e) any Claims other than Pre-Filing Claims of Tshiuetin Rail Transportation Inc. and Tshiuetin Limited Partnership in connection with an agreement entitled "The Transportation by Rail of DSO Project Iron Ore on TSH Railway", as amended;

"Filing Date" means the date of the Initial Order;

"Government Authority" means any federal, provincial, state or local government, agency or instrumentality thereof or similar entity, howsoever designated or constituted exercising executive, legislative, judicial, regulatory or administrative functions in Canada, the United States, or elsewhere;

"Houston-Malcolm Property" means the property described in Schedule B;

"Initial Order" means the Initial Order in respect of the Applicants granted by the Court on April 2, 2015, as amended, restated or varied from time to time;

"Intercompany Charge" has the meaning given to it in paragraph 6 of the Initial Order;

"Intercompany Claims" means the Claims of LIMH against LIM and SMI, whether arising before or after the Filing Date;

"KSV" means KSV Kofman Inc.;

"Labrador Iron Mines Management Services Agreement" means the agreement, substantially in the form attached as Schedule F, between whereby LIMH shall agree to provide, to both Amalgamated LIM and Amalgamated SMI, management services and personnel, operating personnel, office facilities and such other services and infrastructure as the parties deem necessary or advisable

"LIM" means the Applicant, Labrador Iron Mines Limited;

"LIMH" means the Applicant, Labrador Iron Mines Holdings Limited;

"LIM Royalty Agreement" means the agreement between Amalgamated LIM and RoyaltyCo to be dated as of the Plan Implementation Date in the form attached as Schedule C;

"LIM Subco No. 1" means a wholly owned subsidiary of LIM, to be incorporated pursuant to the laws of Ontario;

"Meetings" and each a **"Meeting"**, means a meeting of the Creditors of the Applicants called for the purpose of considering and voting in respect of this Plan;

"Meeting Order" means an Order of this Court pursuant to the CCAA that, among other things, sets the date for the Meetings, as same may be amended, restated or varied from time to time;

"Monitor" means KSV Kofman Inc., in its capacity as Court-appointed Monitor of the Applicants;

"Monitor's Plan Implementation Date Certificate" means the certificate substantially in the form to be attached to the Sanction Order to be filed by the Monitor with the Court, declaring that all of the conditions to implementation of the Plan as set forth in Section 7.6 have been satisfied or waived as provided in Section 7.7;

"Notice of Claim" means the notice substantially in the form attached as Schedule C to the Claims Procedure Order, advising each Scheduled Creditor of its Claim against the Applicants as determined by the Applicants based on the books and records of the Applicants;

"Officers" means all current and former officers (or their estates) of the Applicants in such capacity and **"Officer"** means any one of them;

"Person" means any individual, corporation, firm, limited or unlimited liability company, general or limited partnership, association (incorporated or unincorporated), trust,

unincorporated organization, joint venture, trade union, Government Authority or any agency, regulatory body or officer thereof or any other entity, wherever situate or domiciled, and whether or not having legal status;

“Plan” means this plan of compromise or arrangement filed by the Applicants pursuant to the CCAA, as the same may be amended, supplemented or restated from time to time in accordance with the terms hereof;

“Plan Affidavit” has the meaning given to it in Section 2.1;

“Plan Implementation Date” means the Business Day on which all of the conditions to the implementation of the Plan have been fulfilled or, to the extent permitted pursuant to the terms and conditions of the Plan, waived, and the Monitor has executed the Monitor’s Plan Implementation Date Certificate;

“Plan Report” has the meaning given to it in Section 2.1;

“Post-Filing Claim” means any right or claim of any Person against the Applicants, whether or not asserted, in connection with any indebtedness, liability or obligation of any kind of the Applicants, and any interest that may accrue thereon which there is an obligation to pay, and costs which such Person would be entitled to receive pursuant to the terms of any contract with such Person at law or in equity, any right of ownership of or title to property or assets or to a trust or deemed trust (statutory or otherwise) against any property or assets, whether or not reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, unsecured, perfected, unperfected, present, future, known, or unknown, by guarantee, surety or otherwise, and whether or not such right is executory or anticipatory in nature, or any right or ability of any Person to advance a claim for contribution or indemnity or otherwise with respect to any matter, action, cause or chose in action, whether existing at present or commenced in the future, arising from or caused by, directly or indirectly, any action taken by the Applicants from and after the Filing Date.

“Pre-Filing Claim” means any right or claim of any Person against any of the Applicants, whether or not asserted, in connection with any indebtedness, liability or obligation of any kind whatsoever of any such Applicant in existence on the Filing Date, and costs payable in respect thereof to and including the Filing Date, whether or not such right or claim is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, unsecured, perfected, unperfected, present, future, known, or unknown, by guarantee, surety or otherwise, and whether or not such right is executory or anticipatory in nature, including any assessment and the right or ability of any Person to advance a claim for contribution or indemnity or otherwise with respect to any matter, action, cause or chose in action, whether existing at present or commenced in the future, which indebtedness, liability or obligation is based in whole or in part on facts that existed prior to the Filing Date and any other claims that would have been claims provable in bankruptcy had such Applicant become bankrupt on the Filing Date, including for greater any claim against any of the Applicants for indemnification by any Director or Officer in respect of

a Director/Officer Claim (but excluding any such claim for indemnification that is covered by the Directors' Charge (as such term is defined in the Initial Order);

"Proof of Claim" means the Proof of Claim referred to in the Claims Procedure Order to be filed by Unsecured Creditors, substantially in the form attached as Schedule "H" to the Claims Procedure Order;

"Pro Rata Share" means: (a) in respect of Distribution Claims against LIM, SMI and their respective Directors or Officers, the fraction that is equal to (i) the amount of such Distribution Claims held by an Affected Unsecured Creditor who is not a Convenience Creditor or LIMH, divided by (ii) the aggregate amount of all such Distribution Claims held by all Affected Unsecured Creditors who are not Convenience Creditors or LIMH; and, (b) in respect of Distribution Claims against LIMH and its respective Directors or Officers, the fraction that is equal to (i) the amount of such Distribution Claims held by an Affected Unsecured Creditor who is not a Convenience Creditor, divided by (ii) the aggregate amount of all such Distribution Claims held by all Affected Unsecured Creditors who are not Convenience Creditors.

"Released Party" means the Applicants, the Monitor, KSV and each of their respective present and former shareholders, officers, directors, employees, auditors, financial advisors, legal counsel and agents;

"Restructuring Period Claim" means any right or claim of any Person against any of the Applicants in connection with any indebtedness, liability or obligation of any kind whatsoever owed by any such Applicant to such Person arising out of the restructuring, disclaimer, rescission, termination or breach by such Applicant on or after the Filing Date of any contract, lease or other agreement whether written or oral;

"Restructuring Period Claims Bar Date" has the meaning given to it in the Claims Procedure Order;

"Required Majority" means, in respect of each class of Creditors contemplated by the Plan, a majority in number of Creditors representing two-thirds in value of the Creditors' Claims (as determined for voting purposes) present and voting in person or by proxy at the Meeting;

"Royalty Agreements" means, collectively, the LIM Royalty Agreement and the SMI Royalty Agreement;

"RoyaltyCo" means Houston Iron Royalties Limited, a corporation constituted and organized under the laws of the Province of Ontario which, on the Plan Implementation Date, will hold the right to receive a royalty equal to two percent (2.0%) of the "Gross Revenue" (as defined in the Royalty Agreements received from the sale of iron ore from the Houston-Malcolm Property as provided in the Royalty Agreement;

"RoyaltyCo Management Services Agreement" means the management services agreement substantially in the form attached as Schedule G between LIMH and RoyaltyCo

whereby LIMH shall agree to provide to RoyaltyCo management services and personnel, operating personnel, office facilities and such other services and infrastructure as the parties deem necessary or advisable;

“**Sanction Order**” means the order of the Court providing for, among other things, the sanctioning of this Plan, with or without amendments, and approving its implementation;

“**Scheduled Creditor**” means an Affected Unsecured Creditor or Affected Secured Creditor whose Claim against one or more of the Applicants was included in the claims schedule referenced in the Claims Procedure Order, to the extent of its scheduled Claim;

“**SMI**” means the Applicant, Schefferville Mines Inc.;

“**SMI Royalty Agreement**” means the agreement between SMI and RoyaltyCo to be dated as of the Plan Implementation Date in the form attached as Schedule D;

“**SMI Subco No. 1**” means a wholly owned subsidiary of SMI, to be incorporated pursuant to the laws of Canada;

“**Unaffected Claim**” means Excluded Claims and such other claims as are described in Schedule E;

“**Unscheduled Creditor**” means an Affected Unsecured Creditor or Affected Secured Creditor, other than a Scheduled Creditor with respect to its Claim against the Applicants included in the claims schedule referenced in the Claims Procedure Order, to the extent of its unscheduled Claim;

“**Voting Claim**” means any Claim of an Affected Unsecured Creditor, or such portion thereof, that is not barred by any provision of the Claims Procedure Order and which has been finally accepted and determined for voting at a Meeting, in accordance with the provisions of the Claims Procedure Order and the CCAA.

“**Voting Creditor**” means any Creditor with a Voting Claim.

Section 1.2. Interpretation, etc.

For purposes of this Plan:

- (a) any reference to a contract, instrument, release, indenture, or other agreement or document being in a particular form or on particular terms and conditions means that such document shall be substantially in such form or substantially on such terms and conditions;
- (b) any reference to an order or to an existing document or exhibit filed or to be filed means such order, document or exhibit as it may have been or may be amended, modified, or supplemented from time to time;

- (c) any reference to a statute includes all regulations made thereunder and all amendments to such statute or regulations in force from time to time;
- (d) unless otherwise specified, all references to Sections, Articles and Schedules are references to Sections, Articles and Schedules of or to the Plan;
- (e) the words "herein" and "hereto" refer to this Plan in its entirety rather than to a particular portion of the Plan;
- (f) captions and headings to Articles and Sections are inserted for convenience of reference only and are not intended to be a part of or to affect the interpretation of this Plan
- (g) where the context requires, a word or words importing the singular shall include the plural and vice versa, and a word or words importing the masculine gender shall include the feminine and neuter genders and vice versa;
- (h) the words "includes" and "including" are not limiting; the phrase "may not" is prohibitive and not permissive;
- (i) the word "or" is not exclusive.

Section 1.3. Date for any Action

In the event that any date on which any action is required to be taken under this Plan by any of the parties is not a Business Day, that action shall be required to be taken by 5:00 p.m. on the next succeeding day which is a Business Day.

Section 1.4. Time

All times expressed in this Plan are local time Toronto, Ontario, Canada unless otherwise stipulated.

Section 1.5 Schedules

The following are the Schedules to this Plan, which are incorporated by reference into this Plan and form part of it:

- (a) Schedule A: Form of Convenience Claim Election;
- (b) Schedule B: Description of Houston-Malcolm Property;
- (c) Schedule C: LIM Royalty Agreement;
- (d) Schedule D: SMI Royalty Agreement;
- (e) Schedule E: Unaffected Claims;
- (f) Schedule F: Labrador Iron Mines Management Services Agreement;

(g) Schedule G: RoyaltyCo Management Services Agreement;

ARTICLE 2 PURPOSE AND EFFECT OF THE PLAN

Section 2.1 **Background**

The circumstances and events leading up to this Plan are summarized in the Affidavit of John Kearney in respect of the Plan (the “**Plan Affidavit**”) and the Report of the Monitor in respect of the Plan (the “**Plan Report**”), to be circulated to Creditors.

Section 2.2 **Persons Affected**

This Plan provides for a coordinated restructuring and compromising of Affected Claims. This Plan will become effective on the Plan Implementation Date and shall be binding on and enure to the benefit of the Applicants, the Affected Creditors, their respective heirs, administrators, executors, legal personal representatives, successors and assigns, and all other Persons named or referred to in, receiving the benefit of, or subject to, the Plan.

Section 2.3 **Persons Not Affected**

This Plan does not affect holders of Unaffected Claims. Nothing in this Plan shall affect any rights and defences of any Applicants, whether legal or equitable, with respect to any Unaffected Claims, including, but not limited to, all rights with respect to legal and equitable defences or entitlements to setoffs or recoupments against such Claims. In the event of any substantive consolidation of any Claims against any of the Applicants for any purposes under this Plan, Claims which are Unaffected Claims of any particular Applicant remain the obligations solely of such Applicant and shall not become obligations of any other Applicant.

ARTICLE 3 CLASSIFICATION OF CREDITORS, VOTING AND RELATED MATTERS

Section 3.1 **Class of Claims**

Each of the following shall form a separate class of Creditors for the purpose of considering and voting on the Plan:

- (a) the Affected Unsecured Creditors of LIMH; and
- (b) the Affected Unsecured Creditors of LIM and SMI.

Unless otherwise directed by the Court or agreed in writing between the Applicants and the Affected Secured Creditor, with the consent of the Monitor, Affected Secured Creditors with Affected Secured Claims shall:

(a) within 30 days of the date of the Sanction Order, or such later date as the Applicants and the Monitor may agree, take possession of some or all of the collateral for their Claim, at a value that is either (i) agreed between the Affected Secured Creditor and the Applicants, and approved by the Monitor, or (ii) determined by the Court; and,

(b) participate as Affected Unsecured Creditors for the balance of their Claims.

For the avoidance of doubt, unless otherwise directed by the Court, where an Affected Secured Creditor fails to take possession of collateral for their Affected Secured Claim within the time contemplated above, they shall be deemed to have released their security interest in the collateral and shall participate as Affected Unsecured Creditors for the balance of their Claim.

Section 3.2 **Claims of Affected Unsecured Creditors/Convenience Creditors**

(a) Affected Unsecured Creditors with Convenience Claims shall be deemed to vote in favour of the Plan, and, in accordance with Article 4 of the Plan, shall be entitled to receive cash distributions equivalent to the lesser of (i) the aggregate amount of their Voting Claims and (ii) the Cash Elected Amount, and no further distributions under the Plan.

(b) Affected Unsecured Creditors who are not Convenience Creditors shall be entitled to vote their Voting Claims at the Meeting, within their respective class, and shall be entitled to receive distributions in respect of their Distribution Claims pursuant to the Plan.

Section 3.3 **Meetings**

The Meetings of the Voting Creditors shall be held in accordance with this Plan and the Meeting Order. The only Persons entitled to attend the Meeting are those persons, including the holders of proxies, entitled to vote at the Meeting and their legal counsel, the Monitor and its legal counsel and the officers, directors and legal counsel of the Applicants. Any other Person may be admitted on invitation of the chairperson of the relevant Meeting. An officer of the Monitor or a person designated by the Monitor shall preside as the chairperson of the Meeting in accordance with the Meeting Order.

Section 3.4 Approval by Each Class

The Applicants will seek approval of the Plan by the affirmative vote of the Required Majority of the Voting Creditors in order that the Plan becomes binding on the Voting Creditors as of the Plan Implementation Date.

Section 3.5 Value of Claims for Voting Purposes

Each Voting Creditor shall be entitled to one vote equal to the dollar value of its respective Voting Claim. Convenience Creditors shall be deemed to vote in favour of the Plan. Holders of Intercompany Claims shall not be entitled to vote in favour of the Plan.

Each Affected Unsecured Creditor holding a Disputed Voting Claim (or its duly appointed proxyholder) may vote its Disputed Voting Claim as contemplated by the Meeting Order, provided that: votes cast in respect of any Disputed Voting Claim shall not be counted for any purpose, pending further order of the Court; and, the Monitor shall keep a separate record of such votes and shall report to the Court with respect thereto at the motion for the Sanction Order.

Section 3.6 Transfer of Claims

An Affected Unsecured Creditor may transfer or assign its Voting Claim prior to the Meeting, provided that neither the Applicants nor the Monitor shall be obligated to allow such transferee or assignee of a Voting Claim to vote at the Meeting unless and until actual notice of the transfer or assignment, together with satisfactory evidence of such transfer or assignment, has been received and acknowledged by the Monitor in writing no later than 5:00 p.m. on the date that is seven (7) days prior to the Meeting.

Where a Voting Claim has been transferred or assigned in part, the transferor or assignor shall retain the right to vote at the Meeting in respect of the full amount of the Voting Claim, and the transferee or assignee shall have no voting rights at the Meeting in respect of such Voting Claim.

**ARTICLE 4
PROVISIONS GOVERNING DISTRIBUTIONS**

Section 4.1 Payments, Corporate Transactions and Distributions

Subject to Section 7.6 and Section 7.7, if the Required Majority of the Voting Creditors approves the Plan, then:

- (a) the Applicants shall pay, within the time prescribed, any obligations required to be paid by s-ss. 6(3), 6(5), and 6(6) of the CCAA;

(b) on the Plan Implementation Date, and prior to the Distribution Date, the following transactions shall take place in the order set out below:

- i. the 362,800 shares of SMI, currently held by LIMH, representing 100% of the issued shares of SMI, will be transferred to LIM, making SMI a wholly-owned subsidiary of LIM, in consideration of the issue to LIMH of 185,900 previously unissued common shares of LIM with the result that LIMH will hold 3,000,000 shares (100%) of LIM;
- ii. LIM will amend its articles of incorporation to subdivide its 3,000,000 issued common shares, on a one for seventeen basis, into 51,000,000 common shares all of which will be held by LIMH;
- iii. LIMH will assign approximately \$269.0 million of its Intercompany Claims as against LIM to LIM Subco No. 1, in consideration of one dollar (\$1.00);
- iv. LIMH will assign all of its approximately \$21.3 million Intercompany Claims as against SMI to SMI Subco No. 1, which will be a wholly-owned subsidiary of SMI, in consideration of one dollar (\$1.00);
- v. LIM and LIM Subco No.1 will amalgamate pursuant to the applicable provisions of the *Business Corporations Act* (Ontario) to form Amalgamated LIM, an amalgamated corporation to be named Labrador Iron Mines Limited as a consequence of which:
 1. all of the previously issued shares of LIM will be exchanged for an equivalent number of common shares of Amalgamated LIM;
 2. all of the previously issued shares of LIM Subco No. 1 will be cancelled
 3. pursuant to the foregoing amalgamation, LIMH will hold, in the aggregate, 51 million common shares of Amalgamated LIM which, upon completion of the distributions contemplated in Section 4.2 will amount to approximately 51% of the issued shares of Amalgamated LIM;

- vi. SMI and SMI Subco No. 1 will amalgamate pursuant to the applicable provisions of the Canada Business Corporations Act to form Amalgamated SMI, an amalgamated corporation to be named Schefferville Mines Inc., as a consequence of which
 - 1. all of the previously issued shares of SMI will be exchanged for an equivalent number of common shares of Amalgamated SMI;
 - 2. all of the previously issued shares of SMI Subco No. 1 will be cancelled;
 - 3. Amalgamated SMI will continue to be a wholly-owned subsidiary of LIM; and,
- vii. as a result of the foregoing transactions:
 - 1. Amalgamated LIM and Amalgamated SMI shall hold all of the respective assets and shall continue the respective businesses of LIM and SMI; and
 - 2. the Intercompany Claims as against both LIM and SMI will be extinguished; and,

(c) on the Distribution Date the Disbursing Agent shall, subject to Section 4.5, 4.6 and 4.8:

- i. pay the amounts contemplated by sub-sections 3.2(a) of the Plan in respect of Convenience Claims, in full and final satisfaction, settlement release and discharge of and in exchange for such Convenience Claims;
- ii. distribute, in accordance with the provisions of this Plan, to each Affected Unsecured Creditor having a Distribution Claim against LIM, SMI or their respective Directors or Officers, (excluding Convenience Creditors and LIMH in respect of the Intercompany Claims), in full satisfaction, settlement, release and discharge of and in exchange for such Distribution Claim, shares of Amalgamated LIM and of RoyaltyCo as contemplated in Section 4.2; and,
- iii. distribute, in accordance with the provisions of this Plan, to each Affected Unsecured Creditor having a Distribution Claim against LIMH or its Directors or Officers, in full satisfaction, settlement, release and discharge or and in exchange for such

Distribution Claim, shares of LIMH as contemplated in Section 4.4.

Section 4.2 Distribution to Creditors of LIM and SMI

On the Plan Implementation Date, Affected Unsecured Creditors (excluding Convenience Creditors and LIMH in respect of the Intercompany Claims) having Distribution Claims against LIM, SMI or their respective Directors or Officers, will be entitled to receive their Pro Rata Share of the following:

- (a) common shares of Amalgamated LIM representing, in the aggregate and post implementation, approximately 49% of LIM's issued shares; and,
- (b) common shares representing, in the aggregate and post-implementation, one hundred percent (100%) of the shares in RoyaltyCo.

Section 4.3 Distribution to LIMH of Shares in LIM

In additional consideration of the extinguishment of the Intercompany Claims, LIMH will be entitled to receive on the Plan Implementation Date:

- (a) No additional shares of Amalgamated LIM above the shares of Amalgamated LIM held on the Plan Implementation Date, *unless* additional common shares of Amalgamated LIM are distributed pursuant to Section 4.2 of the Plan as a result of the resolution of any Disputed Distribution Claim on or after the Plan Implementation Date, and in that event LIMH will be entitled to such additional shares in Amalgamated LIM as are required for LIMH to maintain a 51% post-implementation shareholding interest in LIM; and,
- (b) zero shares of RoyaltyCo.

Section 4.4 Distribution to Creditors of LIMH

On the Plan Implementation Date, Affected Unsecured Creditors having Distribution Claims against LIMH or its Directors or Officers, who are not Convenience Creditors will receive their Pro Rata Share of new common shares of LIMH representing, in the aggregate and post implementation, approximately 25% of LIMH's issued shares(subject to no creditor receiving more that 19.99% of the post-implementation issued shares of LIMH), provided that the effect of the resolution of any Disputed Distribution Claim against LIMH shall be to dilute the interest of pre-filing shareholders of LIMH, and not the interest of Affected Unsecured Creditors having Distribution Claims against LIMH.

Section 4.5 Value of Claims for Distribution Purposes

The value of a Claim for distribution purposes shall be determined in accordance with the provisions of the Claims Procedure Order.

Section 4.6 **No Distributions Pending Allowance**

Notwithstanding any other provision of the Plan, no payment or distribution shall be made with respect to a Disputed Distribution Claim unless and until it has become a Distribution Claim.

Section 4.7 **Distributions for Distribution Claims**

Except as otherwise provided herein or as ordered by the Court, distributions to be made on account of Distribution Claims as of the Plan Implementation Date shall be made on the Distribution Date or as soon as is practicable thereafter.

Section 4.8 **Distributions After Disputed Distribution Claims Resolved**

Once a Disputed Distribution Claim has become a Distribution Claim in accordance with the provisions of this Plan, the Disbursing Agent shall distribute, to the holder of such Distribution Claim, share consideration in accordance with the provisions of Sections 4.2 and 4.4 herein, as the case may be. Notwithstanding the foregoing or any other provisions of this Plan, the Disbursing Agent shall not be required to make distributions under this Section 4.9 more frequently than once every 90 days.

Section 4.9 **Interest on Claims**

Interest shall not accrue or be paid on Claims after the Filing Date. Holders of Claims shall only be entitled to interest accruing on or before the Filing Date on any such Claims, and no holder of an Affected Unsecured Claim shall be entitled to interest accruing, nor to fees and expenses incurred on or after the Filing Date in respect of an Affected Unsecured Claim. Any Claims in respect of interest accruing or fees and expenses incurred on or after the Filing Date shall be deemed to be forever extinguished and released.

Section 4.10 **Distributions by Disbursing Agent**

The Disbursing Agent shall make all distributions required under this Plan (subject to the provisions of Articles 4 and 5). If the Disbursing Agent is an independent third party designated by the Applicants to serve in such capacity, such Disbursing Agent shall receive, without further Court approval, reasonable compensation for distribution services rendered pursuant to the Plan and reimbursement of reasonable out-of-pocket expenses incurred in connection with such services from the Applicants on terms acceptable to the Applicants and the Monitor. No Disbursing Agent shall be required to give any bond or surety or other security for the performance of its duties unless otherwise ordered by the Court.

Section 4.11 **Delivery of Distributions**

Distributions to holders of Distribution Claims shall be made by the Disbursing Agent by prepaid ordinary mail or as otherwise determined by the Disbursing Agent, (a) to the address set forth on the Notice of Claim or the Proof of Claim filed by a Creditor, (b) to the address set forth in any written notices of address changes delivered to the Disbursing Agent after the date of any related Notice of Claim or Proof of Claim, or, if neither (a) nor (b) are applicable, to the last known address of the Creditor appearing in the records of the Applicants. If any holder's distribution is returned as undeliverable, no further distributions to such holder shall be made unless and until the Disbursing Agent is notified of such holder's then current address, at which time all missed distributions shall be made to such holder without interest. All claims for undeliverable distributions in respect of Distribution Claims must be made on or before the expiration of six (6) months following the Plan Implementation Date, after which date the Claim of any holder or successor of such holder with respect to such unclaimed distributions shall be discharged, and forever barred, notwithstanding any federal or provincial laws to the contrary, and any such undeliverable distributions shall be returned to the Applicants. Nothing contained in the Plan shall require the Applicants or any Disbursing Agent to attempt to locate any holder of a Voting Claim.

Section 4.12 **Withholding Taxes and Reporting Requirements**

In connection with this Plan and all distributions hereunder, the Disbursing Agent shall, to the extent applicable, comply with all tax and other statutory withholding and reporting requirements imposed by any federal, state, provincial, local, or foreign taxing authority, and all distributions hereunder shall be subject to any such withholding and reporting requirements. The Disbursing Agent shall be authorized to take any and all actions that may be necessary or appropriate to comply with such withholding and reporting requirements. Notwithstanding any other provision of the Plan: (i) each holder of a Distribution Claim that is to receive a distribution pursuant to the Plan shall have sole and exclusive responsibility for the satisfaction and payment of any tax obligations imposed by any governmental authority, including income, withholding and other tax obligations, on account of such distribution, and (ii) no distribution shall be made to or on behalf of such holder pursuant to the Plan unless and until such holder has made arrangements satisfactory to the Disbursing Agent for the payment and satisfaction of such tax obligations. Any distributions to be distributed pursuant to the Plan shall, pending the implementation of such arrangements, be treated as an undeliverable distribution pursuant to Section 4.15. It is the Applicants' intent that distributions under the Plan to holders of Claims are in respect of, and to be applied to, principal first and then interest.

Section 4.13 **Set-off to Apply**

The Applicants may, but shall not be required to, set off against any Claim, and the payments or other distributions to be made pursuant to the Plan in respect of such Claims, claims of any nature whatsoever that the Applicants may have against the holder of such

Claim; provided, however, that neither the failure to do so nor the allowance of any Claim hereunder shall constitute a waiver or release by the Applicants of any such claim that the Applicants may have against such holder.

Section 4.14 **No Fractional Shares**

Notwithstanding any other provision of this Plan, in no event shall any Affected Unsecured Creditor be entitled to receive, or the Disbursing Agent be required to distribute, a fractional share.

ARTICLE 5
RELEASES

Section 5.1 **Plan Releases**

Upon the implementation of this Plan on the Plan Implementation Date, the Released Parties shall, to the fullest extent permitted by Part I of the CCAA, be released and discharged from any and all demands, Claims, actions, causes of action, counterclaims, suits, debts, sums of money, accounts, covenants, damages, judgments, expenses, executions, liens and other recoveries on account of any liability, obligation, demand or cause of action of whatever nature which any Person may be entitled to assert, including, without limitation, any claim that has been barred or extinguished by operation of the Claims Procedure Order, and any and all claims in respect of potential statutory liabilities of the former, present and future directors and officers of any of the Applicants for which the Initial Order authorized the granting of security, whether known or unknown, matured or unmatured, foreseen or unforeseen, existing or hereafter arising, based in whole or in part on any act or omission, transaction, dealing or other occurrence existing or taking place on or prior to the Plan Implementation Date relating to, arising out of or in connection with the Claims, the business and affairs of the Applicants, this Plan and the CCAA Proceedings, provided that nothing herein shall release or discharge the Applicants, or any of them, from or in respect of Unaffected Claims or from or in respect of their obligations to Creditors under this Plan or under any order of the Court made in the CCAA Proceedings.

Section 5.2 **Injunction Related to Releases**

The Sanction Order will enjoin the prosecution, whether directly, derivatively or otherwise, of any claim, obligation, suit, judgment, damage, demand, debt, right, cause of action, liability or interest released, discharged or terminated pursuant to the Plan.

**ARTICLE 6
TREATMENT OF EXECUTORY CONTRACTS
AND UNEXPIRED LEASES**

Section 6.1 Contracts and Leases

Except as otherwise provided in the Plan, or in any contract, instrument, release, indenture or other agreement or document entered into in connection with the Plan, as of the Plan Implementation Date each Applicant shall be deemed to have ratified each executory contract and unexpired lease to which it is a party, unless such contract or lease: (a) was previously repudiated or terminated by such Applicant, or (b) previously expired or terminated pursuant to its own terms.

**ARTICLE 7
MISCELLANEOUS**

Section 7.1 Confirmation of Plan

- (a) Provided that the Plan is approved by the Required Majority of the Voting Creditors, the Applicants will seek the Sanction Order for the sanction and approval of the Plan; and
- (b) Subject only to the satisfaction of those conditions precedent to the implementation of the Plan described in Section 7.6, the Plan will be implemented by the Applicants and will be binding upon the Applicants, all Affected Creditors and all other Persons named or referred to in, receiving the benefit of, or subject to, the Plan.

Section 7.2 Paramountcy

Subject to the last sentence of this Section 7.2, from and after the Plan Implementation Date, any conflict between the Plan and the covenants, warranties, representations, terms, conditions, provisions or obligations, expressed or implied, of any contract, mortgage, security agreement, indenture, trust indenture, loan agreement, commitment letter, agreement for sale, by-laws of the Applicants, lease or other agreement, written or oral and any and all amendments or supplements thereto existing between one or more of the Affected Creditors and the Applicants as at the Plan Implementation Date will be deemed to be governed by the terms, conditions and provisions of the Plan and the Sanction Order, which shall take precedence and priority. All Affected Creditors shall be deemed to consent to all transactions contemplated in this Plan. For greater certainty, all Persons having written or oral agreements with an Applicant for the supply of goods and/or services to the Applicant shall continue to pay volume rebates and advertising, merchandising, performance or similar allowances or credits after the Filing Date in accordance with existing volume rebate and allowance practices.

Section 7.3 Compromise Effective for all Purposes

The payment, compromise or other satisfaction of any Affected Claim under the Plan, if sanctioned and approved by the Court, shall be binding upon such Affected Creditor, its heirs, executors, administrators, legal personal representatives, successors and assigns.

Section 7.4 Modification of Plan

(a) The Applicants reserve the right, at any time and from time to time, with the consent of the Monitor, both prior to and during the Meeting or after the Meeting, to amend, restate, modify and/or supplement the Plan; provided (i) if made prior to or at the Meeting, such amendment, restatement, modification or supplement shall be communicated to Affected Unsecured Creditors in the manner required by the Meeting Order and (ii) if made following the Meeting, such amendment, restatement, modification or supplement shall be approved by the Court following notice to the Affected Unsecured Creditors.

(b) Notwithstanding Sub-section 7.4(a), any amendment, restatement, modification or supplement to the Plan may be made by the Applicants, with the consent of the Monitor or pursuant to an Order of the Court, at any time and from time to time, provided that it concerns a matter which (i) is of an administrative nature required to better give effect to the implementation of the Plan and the Sanction Order or (ii) to cure any errors, omissions or ambiguities, and in either case is not materially adverse to the financial or economic interests of the Affected Unsecured Creditors.

(c) Any amended, restated, modified or supplementary Plan or Plans filed with the Court and, if required by this Section, approved by the Court shall, for all purposes, be and be deemed to be a part of, and incorporated in, the Plan.

Section 7.5 Consents, Waivers and Agreements

As at 12:01 a.m. on the Plan Implementation Date, each Affected Creditor shall be deemed to have consented and to have agreed to all of the provisions of this Plan as an entirety. In particular, each Affected Creditor shall be deemed:

- (a) to have executed and delivered to the Applicants all consents, releases, assignments and waivers, statutory or otherwise, required to implement and carry out this Plan as an entirety;
- (b) to have waived any and all defaults then existing or previously committed by the Applicants in any covenant, warranty, representation, term, provision, condition or obligation, expressed or implied, in any contract, agreement, mortgage, security agreement, indenture, trust indenture, loan agreement, commitment letter, agreement for sale, lease or other agreement, written or oral and any and all amendments or supplements thereto, existing between any such Affected Creditor and any Applicant or Applicants and any and all

notices of default and demands for payment under any instrument, including, without limitation any guarantee, shall be deemed to have been rescinded; and

- (c) subject to the last sentence of Section 7.2, to have agreed that, if there is any conflict between the provisions, express or implied, of any agreement or other arrangement, written or oral, existing between such Affected Creditor and any Applicant as at such time (other than those entered into by such Applicant on, or with effect from, such time) and the provisions of this Plan, then the provisions of this Plan take precedence and priority and the provisions of such agreement or other arrangement are amended accordingly.

In this Plan the deeming provisions are not rebuttable and are conclusive and irrevocable.

Section 7.6 Conditions Precedent to Implementation of Plan

The implementation of the Plan is subject to the following conditions precedent:

- (a) the approval of this Plan by the requisite majorities of each class of Creditors;
- (b) the Sanction Order sanctioning the Plan, in form and substance satisfactory to the Applicants, shall have been entered and the operation and effect of the Sanction Order shall not have been stayed, reversed or amended;
- (c) the following transactions or agreements, as the case may be, in form and substance satisfactory to the Applicants, shall have been completed, executed and delivered, as the case may be, and all conditions precedent provided therein to the effectiveness thereof and funding thereunder shall have been satisfied:
- i. the Royalty Agreements;
 - ii. the Labrador Iron Mines Management Services Agreement;
 - iii. the RoyaltyCo Management Services Agreement;
 - iv. the transactions contemplated in Section 4.1(b) shall have been completed;
 - v. the constitution of the board of directors of Amalgamated LIM, to be fixed at five Directors, including two directors who are directors or officers of LIMH, and three directors who are independent of LIMH; and,

- vi. the constitution of the board of directors of RoyaltyCo, to be fixed at four directors, including one director who is a director or officer of LIMH, and three directors who are independent of LIMH; and,
- (d) all amounts owing to the Monitor, the Monitor's counsel, the Claims Officer, the Disbursing Agent and counsel to the Applicants shall have been paid.

Section 7.7 Waiver of Conditions

Each of the conditions set forth in Section 7.6(c) and (d), above, may be waived in whole or in part by the Applicants, with the consent of the Monitor, and, in the case of 7(6)(d), with the consent of the beneficiaries thereof, without any other notice to parties in interest or the Court and without a hearing. The failure of an Applicant to exercise any of the foregoing rights shall not be deemed a waiver of any other rights, and each such right shall be deemed an ongoing right that may be asserted at any time.

Section 7.8 Monitor's Certificate

Upon delivery of written notice from the Applicants of the fulfillment or waiver of the conditions precedent to implementation of the Plan as set out in Section 7.6 of the Plan, the Monitor shall deliver the Monitor's Plan Implementation Date Certificate to the Applicants. Following the Plan Implementation Date, the Monitor shall file such certificate with the Court and shall post a copy of same on the Monitor's website.

Section 7.9 Binding Effect

On the Plan Implementation Date, or as otherwise provided in the Plan:

- (a) the Plan will become effective at 12:01 a.m. and the transactions set out in Article 4 will be implemented;
- (b) the treatment of Affected Claims under the Plan shall be final and binding for all purposes and enure to the benefit of the Applicants, all Affected Creditors, the Released Parties and all other Persons and parties named or referred to in, or subject to, the Plan and their respective heirs, executors, administrators and other legal representatives, successors and assigns;
- (c) all Affected Claims shall be and shall be deemed to be forever discharged and released, excepting only the obligations to make distributions in respect of such Affected Claims in the manner and to the extent provided for in the Plan;
- (d) each Person named or referred to in, or subject to, the Plan shall be deemed to have consented and agreed to all of the provisions of the Plan, in its entirety;

- (e) each Person named or referred to in, or subject to, the Plan shall be deemed to have executed and delivered to the Applicants all consents, releases, directions, assignments and waivers, statutory or otherwise, required to implement and carry out the Plan in its entirety; and
- (f) each Person named or referred to in, or subject to, the Plan shall be deemed to have received from the Applicants all statements, notices, declarations and notifications, statutory or otherwise, required to implement and carry out the Plan in its entirety.

Section 7.10 Claims Bar Date

Nothing in this Plan extends or shall be interpreted as extending or amending the Claims Bar Date or the Restructuring Period Claims Bar Date, or gives or shall be interpreted as giving any rights to any Person in respect of Claims that have been barred or extinguished pursuant to the Claims Procedure Order.

Section 7.11 Deeming Provisions

In the Plan, the deeming provisions are not rebuttable and are conclusive and irrevocable.

Section 7.12 Responsibilities of the Monitor

The Monitor is acting and will continue to act in all respects in its capacity as Monitor in the CCAA Proceedings with respect to the Applicants and not in its personal or corporate capacity. The Monitor will not be responsible or liable whatsoever for any obligations of the Applicants. The Monitor will have the powers and protections granted to it by the Plan, the CCAA, the Initial Order, the Meeting Order, the Sanction Order and any other Order made in the CCAA Proceedings.

The Sanction Order shall declare that, in carrying out the terms of the Sanction Order and the Plan, (i) the Monitor shall benefit from all the protections given to it by the CCAA, the Initial Order and any other Order in the CCAA Proceedings, and as an officer of the Court, including the stay of proceedings in its favour; (ii) the Monitor shall incur no liability or obligation as a result of carrying out the provisions of the Sanction Order and/or the Plan; and (iii) the Monitor shall be entitled to rely on the books and records of the Applicants and any information provided by any of the Applicants without independent investigation and shall not be liable for any claims or damages resulting from any errors or omissions in such books, records or information.

Section 7.13 Plan Affidavit and Plan Report

A copy of the Plan Affidavit and the Plan Report will be delivered in accordance with the procedures approved by the Meeting Order.

Section 7.14 Notices

Any notices or communications to be made or given hereunder shall be in writing and shall refer to this Plan and may, subject as hereinafter provided, be made or given by personal delivery, by courier, by prepaid ordinary mail or by facsimile addressed to the respective parties as follows:

- (a) if to the Applicants:

Labrador Iron Mines Limited
Suite 1805, 55 University Avenue
Toronto, Ontario
M5J 2H7

Attention: John F. Kearney, Chairman & CEO
Facsimile: 416-368-5344
Email: kearney.j@labradorironmines.ca

- (b) if to a Creditor: (i) to the address for such Creditor specified in the Notice of Claim or the Proof of Claim filed by a Creditor or, (ii) at the address set forth in any written notice of address changes delivered to the Disbursing Agent after the date of any related Proof of Claim.

- (c) if to the Monitor:

KSV Kofman Inc.
Suite 2308, 150 King Street West
Toronto, Ontario
M5H 1J9

Attention: Mitch Vininsky
Facsimile: 416-932-6266
Email: mvininsky@ksvadvisory.com

or to such other address as any party may from time to time notify the others in accordance with this Section 7.14. In the event of any strike, lock-out or other event which interrupts postal service in any part of Canada, all notices and communications during such interruption may only be given or made by personal delivery or by facsimile and any notice or other communication given or made by prepaid mail within the five (5) Business Day period immediately preceding the commencement of such interruption, unless actually received, shall be deemed not to have been given or made. All such notices and

communications shall be deemed to have been received, in the case of notice by facsimile or by delivery prior to 5:00 p.m. (local time) on a Business Day, when received or if received after 5:00 p.m. (local time) on a Business Day or at any time on a non-Business Day, on the next following Business Day and, in the case of notice mailed as aforesaid, on the fourth Business Day following the date on which such notice or other communication is mailed. The unintentional failure by the Applicants to give notice contemplated hereunder to any particular Creditor shall not invalidate this Plan or any action taken by any Person pursuant to this Plan.

Section 7.15 Severability of Plan Provisions

If, prior to the Confirmation Date, any term or provision of the Plan is held by the Court to be invalid, void or unenforceable, the Court, at the request of any Applicant, shall have the power to either (i) sever such term or provision from the balance of the Plan and provide the Applicants with the option to proceed with the implementation of the balance of the Plan as of and with effect from the Plan Implementation Date, or (ii) alter or interpret such term or provision to make it valid and enforceable to the maximum extent practicable, consistent with the original purpose of the term or provision held to be invalid, void or unenforceable, and such term or provision shall then be applicable as altered or interpreted. Notwithstanding any such severing, holding, alteration or interpretation, and provided the Applicants proceed with the implementation of the Plan, the remainder of the terms and provisions of the Plan shall remain in full force and effect and shall in no way be affected, impaired or invalidated by such severing, holding, alteration or interpretation.

Section 7.16 Revocation, Withdrawal, or Non-Consummation

The Applicants reserve the right to revoke or withdraw the Plan at any time prior to the Confirmation Date or to file subsequent plans of compromise or arrangement. If the Applicants revoke or withdraw the Plan, or if the Sanction Order is not issued, (i) the Plan shall be null and void in all respects, (ii) any settlement or compromise embodied in the Plan (including the fixing or limiting to an amount certain any Claim or class of Claims), or any assumption, termination or repudiation of executory contracts or leases effected by the Plan, and any document or agreement executed pursuant to the Plan shall be deemed null and void, and (iii) nothing contained in the Plan, and no acts taken in preparation for consummation of the Plan, shall (a) constitute or be deemed to constitute a waiver or release of any Claims by or against any Applicant or any other Person; (b) prejudice in any manner the rights of any Applicant or any other Person in any further proceedings involving an Applicant; or (c) constitute an admission of any sort by any Applicant or any other Person.

Section 7.17 Further Assurances

Notwithstanding that the transactions and events set out in this Plan shall occur and be deemed to occur in the order set out herein without any additional act or formality, each of

the Persons affected hereby shall make, do and execute, or cause to be made, done and executed at the cost of the requesting party, all such further acts, deeds, agreements, transfers, assurances, instruments or documents as may reasonably be required by the Applicants in order to better implement this Plan.

Section 7.18 **Governing Law**

This Plan shall be governed by and construed in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein. Any questions as to the interpretation or application of this Plan and all proceedings taken in connection with this Plan and its provisions shall be subject to the exclusive jurisdiction of the Court.

Dated November 3, 2016

LABRADOR IRON MINES HOLDINGS LIMITED
LABRADOR IRON MINES LIMITED
SCHEFFERVILLE MINES INC.
Suite 1805, 55 University Avenue
Toronto, Ontario
M5J 2H7

SCHEDULE A
FORM OF CONVENIENCE CLAIM ELECTION

IN THE MATTER OF THE *COMPANIES' CREDITORS
ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT
OF LABRADOR IRON MINES HOLDINGS LIMITED, LABRADOR IRON MINES LIMITED
and SCHEFFERVILLE MINES INC. (the "Applicants")

CONVENIENCE CLAIM ELECTION FORM¹

This form is only to be completed by an Affected Unsecured Creditor who holds Affected Unsecured Claims in an aggregate amount in excess of \$5,000, and who wishes to reduce the aggregate amount of such Affected Unsecured Claims to \$5,000 in order to receive cash consideration under the Plan. Any Affected Unsecured Creditor that does not execute and return this form by the Election/Proxy Deadline will be deemed to NOT have made such an election.

TO: KSV Kofman Inc.

RE: The plan of compromise and arrangement of Labrador Iron Mines Holdings Limited, Labrador Iron Mines Limited and Schefferville Mines Inc. (collectively the "Applicants") pursuant to the *Companies' Creditors Arrangement Act* (the "Plan")

All capitalized terms not otherwise defined herein shall have the respective meanings ascribed to them in the Plan.

DATED this ____ day of _____, 2016.

The undersigned (i) confirms that it holds Affected Unsecured Claims in an aggregate amount in excess of \$5,000 and irrevocably elects to reduce the aggregate amount of such Affected Unsecured Claims to \$5,000 for both voting and distribution under the Plan.

To be valid, this form must be delivered personally, by registered mail, by email or by facsimile to the following addresses on or before the Election/Proxy Deadline:

¹ Terms not otherwise defined herein shall have the meaning accorded to them in the Applicants' Plan of Compromise and Arrangement dated November 3, 2016, as amended.

<p>KSV Kofman Inc. Suite 2308, 150 King Street West Toronto, Ontario M5H 1J9</p> <p>Attention: Mitch Vininsky Facsimile: 416-932-6266 Email: mvininsky@ksvadvisory.com</p>	<p>-and-</p>	<p>Labrador Iron Mines Holdings Limited Labrador Iron Mines Limited Schefferville Mines Inc. Suite 1805, 55 University Avenue Toronto, Ontario M5J 2H7</p> <p>Attention: John F. Kearney Facsimile: 416-368-5344 Email: kearney.j@labradorironmines.ca</p>
--	--------------	---

With a copy to each of:

<p>GOODMANS LLP Bay Adelaide Centre 333 Bay Street, Suite 3400 Toronto, Ontario M5H 2S7 Tel: 416.979.2211 Fax: 416.979.1234</p> <p>Melaney Wagner Email: mwagner@goodmans.ca</p>	<p>-and-</p>	<p>PALIARE ROLAND ROSENBERG ROTHSTEIN LLP 155 Wellington St. W., 35th floor Toronto Ontario M5V 3H1 Tel: 416.646.4300 Fax: 416.646.4301</p> <p>Massimo Starnino Email: max.starnino@paliareroland.com</p>
--	--------------	---

Name of Affected Unsecured Creditor: _____

Per: _____

Name: _____

Title: _____

Address: _____

Tel: _____

Fax: _____

Email: _____

Aggregate Amount of Affected Unsecured Claims:

\$ _____

STRICTLY CONFIDENTIAL

**SCHEDULE B
DESCRIPTION OF HOUSTON-MALCOLM PROPERTY**

The Houston property consists of one Mining Lease and one Mineral Rights License issued by the Department of Natural Resources, Province of Newfoundland and Labrador, representing 112 mineral claims located in northwest Labrador covering approximately 2,800 hectares as follows:

	Registered Owner	Area (ha.)
Houston:		
Licence 020433M	LIM	2,800 (approx.)
Lease 216	LIM	352 (approx. and included in Licence 020433M)

The Malcolm 1 property consists of 41 mineral claims covering approximately 1,210.7 hectares issued by the Ministry of Energy and Natural Resources, Province of Québec as follows:

Claim Nos.	Registered Owner	Area (ha.)
Malcolm:		
CDC-2317779	Schefferville	49.79
CDC-2298709	Schefferville	49.75
CDC-2233268	Schefferville	49.79
CDC-2233270	Schefferville	49.78
CDC-2188826	Schefferville	49.77
CDC-2298708	Schefferville	37.3
CDC-2317787	Schefferville	0.67
CDC-2317784	Schefferville	39.44
CDC-2375174	Schefferville	7.77
CDC-2298704	Schefferville	10.88
CDC-2298707	Schefferville	11.62
CDC-2183174	Schefferville	49.74
CDC-2375170	Schefferville	8.54
CDC-2375173	Schefferville	34.28
CDC-2375171	Schefferville	45.41
CDC-2233266	Schefferville	10.28
CDC-2375172	Schefferville	36.57
CDC-2233267	Schefferville	48.76
CDC-58048	Schefferville	47.86
CDC-2298706	Schefferville	36.79
CDC-2233269	Schefferville	37.6

CDC-2298705	Schefferville	1.7
CDC-2317786	Schefferville	3.61
CDC-2317782	Schefferville	28.74
CDC-2279509	Schefferville	48.55
CDC-2317781	Schefferville	49.78
CDC-2259638	Schefferville	49.77
CDC-2317785	Schefferville	21.59
CDC-2298702	Schefferville	17.22
CDC-2233265	Schefferville	11.63
CDC-2317783	Schefferville	4.01
CDC-2183173	Schefferville	49.74
CDC-2317780	Schefferville	32.37
CDC-2298703	Schefferville	40.99
CDC-58039	Schefferville	20.81
CDC 58040	Schefferville	4.44
CDC-58045	Schefferville	49.76
CDC-2386623	Schefferville	10.17
CDC-2386624	Schefferville	1.78
CDC-2386625	Schefferville	1.91

**SCHEDULE C
LIM ROYALTY AGREEMENT**

SEE ATTACHED

HOUSTON ROYALTY AGREEMENT

THIS ROYALTY AGREEMENT effective as of [], 2016.

BETWEEN:

LABRADOR IRON MINES LIMITED

A corporation incorporated under the laws of the Province of Ontario,
Canada

(Hereinafter referred to as “**LIM**”)

- and -

HOUSTON IRON ROYALTIES LIMITED,

A corporation incorporated under the laws of the Province of Ontario,
Canada

(Hereinafter referred to as “**RoyaltyCo**”)

both of which are collectively hereinafter referred to as the “**Parties**”.

WITNESSETH

WHEREAS LIM together with an affiliated corporation, Schefferville Mines Inc., (“**Schefferville**”) and its parent Labrador Iron Mines Holdings Limited (“**LIMH**”) and collectively with LIM and Schefferville, the “**Applicants**”) commenced proceedings under the *Companies Creditors Arrangement Act*, RSC1985, c.C-36 (the “**CCAA Proceedings**”) to restructure their business and affairs and to seek acceptance of a plan of compromise and arrangement of their liabilities (the “**CCAA Plan**”) pursuant to an initial order dated April 2, 2015 of the Ontario Superior Court of Justice (Commercial List) (the “**Court**”) as amended; and,

WHEREAS the CCAA Plan was approved by the creditors of the Applicants on ●, 2016 and sanctioned by the Court on ●, 2016; and

WHEREAS the CCAA Plan provides, among other things, that

- a) LIM and Schefferville shall grant royalties to RoyaltyCo on their respective properties; and
- b) creditors of LIM and Schefferville (other than LIMH) shall become entitled to receive, among other things, all of the shares of RoyaltyCo pro rata in accordance with the relative amounts of their proven claims; and

WHEREAS in accordance with the CCAA Plan the Parties have entered into this Agreement to establish the terms and conditions of the Royalty (as hereinafter defined) as a condition precedent to the implementation of the CCAA Plan:

NOW THEREFORE for good and valuable consideration, the nature, receipt and sufficiency of which is mutually acknowledged, the Parties agree as follows:

ARTICLE 1 DEFINITIONS AND INTERPRETATION

1.1 **Definitions:** In this Agreement and in the Schedules attached hereto:

“**Agreement**” means this agreement and all amendments and modifications hereto, and all Schedules hereto, which are incorporated herein by this reference;

“**Effective Date**” means the date first set forth above;

“**Fonteneau Royalty**” means the royalty payable by LIM to Fonteneau Resources Ltd. and 154619 Canada Inc. pursuant to a royalty agreement dated as of October 1, 2011, as amended and assigned, equal to 3% of Gross Revenue subject to a maximum of US\$1.50 per tonne in respect of ore shipped from the Property;

“**Gross Revenue**” has the meaning set out in subparagraphs 3.2 or 3.3 as the case may be;

“**Mineral Products**” shall mean any inorganic substance of value derived from the Property, whether on or in the Property (and including any tailings thereon), including precious or base metals and industrial Mineral Products, or any other derivative thereof;

“**Party**” means any of LIM or RoyaltyCo and “**Parties**” means both, including in both cases their respective successors and permitted assigns;

“**Property**” means the mining lease and mineral rights licence located in the Province of Newfoundland & Labrador owned and identified by LIM as the Houston Property, all as more particularly described in the attached Schedule “A”;

“**Public Company**” means a company which is (i) a reporting issuer in a province of Canada under any applicable securities law, rules or regulations or a publicly reporting company in any jurisdiction other than Canada, or (ii) a company which is controlled by a reporting issuer or other publicly reporting company;

“**Royalty**” means the royalty payable by LIM to RoyaltyCo equal to 2% of Gross Revenue upon the sale or other disposition of Mineral Products derived from the Property; and

“**tonne(s)**” means dry metric tonne(s).

1.2 Currency and Dates: Except where otherwise specifically indicated, all amounts of money referred to in this Agreement are expressed in Canadian dollars. All days referred to in this Agreement shall indicate a calendar day. If the end date of delay falls on a Saturday, Sunday or a public holiday in the City of Toronto, Province of Ontario, such end date shall be extended to the following business day.

1.3 Headings: The division of this Agreement into Articles, and Sections and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of the Agreement.

1.4 Expanded Meanings: In this Agreement and in the Schedules to this Agreement, unless there is something in the subject matter or context inconsistent therewith:

- (a) The singular shall include the plural and the plural shall include the singular;
- (b) The masculine shall include feminine and neuter genders;
- (c) Words of inclusion such as “including” in a list shall be read as being inclusive and without limitation, whether or not so stated; and
- (d) A reference to any statute shall be deemed to extend to and include any amendment or re-enactment of such statute.

1.5 Schedule: Attached hereto and forming a part of this Agreement is the following:

Schedule “A” – The Property.

ARTICLE 2 REPRESENTATIONS, WARRANTIES, AND INDEMNITIES

2.1 Representations and Warranties of LIM: LIM represents and warrants to RoyaltyCo (and acknowledges that RoyaltyCo is relying upon such representations and warranties in entering into this Agreement) that:

- (a) LIM is the sole beneficial owner of the Property known as the Houston Property free and clear of any lien, charge or encumbrance having priority over the Royalty except for the Fonteneau Royalty;
- (b) the entering into or performance of this Agreement will not contravene any agreement or arrangement to which it is a party or by which it is bound;
- (c) this Agreement has been duly executed and delivered and is valid and binding upon it and enforceable in accordance with its terms;

- (d) it is a corporation duly incorporated and in good standing in accordance with the laws governing its incorporation and is qualified to do business and in good standing in those jurisdictions where necessary in order to carry out the purposes of this Agreement; and
- (e) it has the capacity to enter into and perform its obligations under this Agreement and all transactions contemplated therein and all corporate and other actions required to authorize it to enter into and perform this Agreement have been properly taken and upon written request by RoyaltyCo, will provide documentation of such corporate action including, but not limited to, copies of any necessary resolutions of its board of directors.

2.2 Representations and Warranties of RoyaltyCo: RoyaltyCo represents and warrants to LIM (and acknowledges that LIM is relying upon such representations and warranties in entering into this Agreement) that:

- (a) the entering into or performance of this Agreement will not contravene any agreement or arrangement to which it is a party or by which it is bound;
- (b) this Agreement has been duly executed and delivered and is valid and binding upon it and enforceable in accordance with its terms;
- (c) it is a corporation duly incorporated and in good standing in accordance with the laws governing its incorporation and is qualified to do business and in good standing in those jurisdictions where necessary in order to carry out the purposes of this Agreement; and
- (d) it has the capacity to enter into and perform its obligations under this Agreement and all transactions contemplated therein and all corporate and other actions required to authorize it to enter into and perform this Agreement have been properly taken.

ARTICLE 3 ROYALTY

3.1 Grant of Royalty: LIM, its successors or assignees, hereby grants to RoyaltyCo, its successors or assignees the Royalty in respect of all Mineral Products that may be produced from the Property.

3.2 Royalty Calculation on Sale of Mineral Products: The Royalty shall be payable upon the sale or other disposition of the Mineral Products by LIM. In the event LIM sells Mineral Products under an arm's length, bona fide contract of sale, "*Gross Revenue*" from the Mineral Products shall mean the amount per tonne actually received by or credited to the account of LIM calculated f.o.b. port of Sept Îles or, in the case of sales ex-mine gate or ex-rail, calculated at the point of actual sale, including all payments, bonuses and

allowances (but less any penalties, selling expenses or shipping charges from the port of Sept Îles), received or credited to the account of LIM or such other person or entity as LIM may have directed.

3.3 Royalty Calculation on Non-Arm's Length Sales: In the event LIM sells or otherwise disposes of the Mineral Products in a non-arm's length transaction, "**Gross Revenue**" shall be calculated using the selling price f.o.b. port of Sept Îles for the Mineral Products as determined by reference to a standard industry publication or service containing prices or quotations of the prices at which Mineral Products of equivalent types and qualities are being sold or purchased at a specified point of delivery and, if applicable, by reference to a publication or service containing quotations of prices for ocean freight from the port of Sept Îles to the point of delivery (an "**Industry Service**") or, if an Industry Service is unavailable, then by such other means as may establish such prices or quotations of the prices at which Mineral Products of equivalent types are being sold and purchased, calculated f.o.b. port of Sept Îles.

3.4 Manner of Payment: Payment of the Royalty shall be in accordance with and subject to the following:

- (a) *Quarterly Payment.* Royalty payments shall accrue at the time of sale or other disposition of any Mineral Products by LIM and in the amounts calculated pursuant to subsections 3.2 or 3.3 above. For purposes of this Section 3.4, "*time of sale or other disposition*" means the date LIM receives payment or credit to the account of LIM for the sale or other disposition of the Mineral Products. Royalty payments shall be due and payable quarterly on the fifteenth day of each calendar month following the last day of the calendar quarter in which the same shall have accrued. Royalty payments shall be made by LIM by cheque, electronic funds transfer or wire transfer, and shall be accompanied by a settlement sheet (a "*Quarterly Statement*") showing
- i. the quantities of Mineral Products sold or otherwise disposed of by LIM with respect to such quarter and/or the amount of Mineral Products produced and sold or credited to the account of LIM for such quarter, as the case may be;
 - ii. the quantities of Mineral Products to which such Royalty payment is applicable;
 - iii. the calculation of the applicable Royalty payment;
 - iv. the Gross Revenue for applicable Mineral Products, including an explanation of the determination of Gross Revenue;
 - v. the calculation of Interest (as defined in subsection 3.4(c) below) accrued on such Royalty payment, if any;

- vi. the amount and method of calculation of any tax required to be withheld by LIM under applicable taxation legislation;
 - vii. in the event of any commingling as contemplated in subsection 3.5(a) below, a detailed summary of the determination by LIM of the quantity of Mineral Products commingled in accordance with Section 3.5(a) and subject to the Royalty; and.
 - viii. Any adjustments to any of the foregoing amounts resulting from the correction of estimates utilized in the compilation of Quarterly Statement for a previous period or any prior advance Royalty payments made to RoyaltyCo.
- (b) *Depository Bank.* Upon written direction of RoyaltyCo, RoyaltyCo may designate a bank to act as RoyaltyCo's agent to receive from LIM all Royalty or other payments payable to RoyaltyCo under the terms of this Agreement, and all such payments may be made by paying or tendering the same to RoyaltyCo as contemplated in section 3.4(a), or to said bank for RoyaltyCo's credit. All charges of such depository bank shall be for RoyaltyCo's account. Any payment to said depository bank for credit to RoyaltyCo shall be made by (i) electronic funds transfer to a bank account in Canada, or (ii) wire transfer, and such a payment shall, subject to the rights of RoyaltyCo under this Agreement, effectively constitute full payment of the amount thereof to RoyaltyCo to the same extent as if made directly to RoyaltyCo. In the event RoyaltyCo subsequently redirects LIM to make the Royalty payments by other mechanisms contemplated in section 3.4(a), then LIM shall make such payments in such redirected manner commencing with the next Royalty payment due and payable.
- (c) *Objections to Payments.* RoyaltyCo may object in writing to any Royalty payment amount or any Quarterly Statement within twelve (12) months of the receipt by RoyaltyCo of the relevant Quarterly Statement in respect of such Royalty payment. If it is determined by agreement of the Parties or by arbitration that any Royalty payment has not been properly paid in full as provided herein, LIM shall pay interest on the delinquent payment at the prime rate per annum charged by the Toronto-Dominion Bank to its most creditworthy customers plus 2% per annum ("Interest") commencing on the date on which such delinquent payment was properly due and continuing until the date on which RoyaltyCo receives payment in full of such delinquent payment and all accrued interest thereon. For the purposes of this subsection, the applicable rate of Interest shall be determined as of the date on which such delinquent payment was properly due.
- (d) *Offset of Overpayment.* If it is determined by agreement of the Parties or by arbitration that any Royalty payment was overpaid, LIM shall be entitled to offset such amount against the next Royalty payment.

- (e) *Withholding for Taxes.* All Royalty payments, including Interest, if any, will be made subject to withholding or deduction in respect of, for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied on such Royalty payment by or on behalf of any governmental authority having power and jurisdiction to tax and for which LIM is obligated in law to withhold or deduct and remit to such governmental authority. LIM shall set out in each Quarterly Statement any amount so withheld.
- (f) *No Deductions.* Subject to subparagraph 3.4(e) above, all Royalty payments shall be calculated without deduction or set off for costs of Production, milling, processing, transportation to the point of sale, taxes (including, but not limited to, income, mining, goods & services or sales taxes) or other expenses whatsoever, except as may be provided in this Agreement.

3.5 Other Terms Related to the Royalty:

- (a) *Commingling of Ores.* LIM shall have the right of mixing or commingling, either underground, at the surface, at processing plants or other treatment facilities or at transportation facilities, any ores or Mineral Products mined or extracted from the Property with any similar substances derived from any other property or other lands or properties held by LIM; provided that LIM shall first calculate, based upon a surveyed volume, the quantity of the Mineral Products mined or extracted from the Property before the same are so mixed or commingled.
- (b) *Books and Records.* LIM shall keep true, complete and accurate books and records of all of its operations and activities with respect to the Property, including the mining and disposition of Mineral Products therefrom and the treatment, processing, transportation and sale or other disposition of Mineral Products, prepared in accordance with Generally Accepted Accounting Principles in Canada applicable to publicly accountable enterprises, consistently applied.
- (c) *Audit Rights.* Subject to complying with the confidentiality provisions of this Agreement, RoyaltyCo and/or its authorized representatives shall be entitled, upon delivery of thirty (30) business days advance notice, and during the normal business hours of LIM, to perform or to cause to be performed by a certified or chartered accountant and/or mining industry advisor, audits or other reviews and examinations of LIM's books and records relevant to the calculation and payment of the Royalty pursuant to this Agreement at least once and no more than twice per calendar year to confirm compliance with the terms of this Agreement. Without limiting the generality of the foregoing, RoyaltyCo shall have the right to audit all invoices and other records relating to the Production and disposition of Mineral Products from the Property, including, without

limitation, for the purposes of accurately confirming the calculation of Gross Revenue hereunder. RoyaltyCo shall diligently complete any audit or other examination permitted hereunder. All expenses of any audit or other examination permitted hereunder shall be paid by RoyaltyCo, unless the results of such audit or other examination permitted hereunder disclose a deficiency in respect of any Royalty payments paid to RoyaltyCo hereunder in respect of the period being audited or examined in an amount greater than 5% of the amount of the Royalty properly payable with respect to such period, in which event all expenses of such audit or other examination shall be paid by LIM.

- (d) *Access to Books and Records.* In performing such audit RoyaltyCo and/or its agents shall have reasonable access to all sampling, assay, weighing, and Production records, including all mining, stockpile and commingling records of LIM relating to the Property and any Mineral Products derived from the Property (and RoyaltyCo shall be allowed to make notes or a photocopy thereof), all of which such records shall be kept and retained by LIM or the operator of the Property in accordance with good mining industry practice for the period of retention of at least six (6) years.
- (e) *Waste Rock, Spoil and Tailings.* The Mineral Products mined or extracted from the Property shall be the property of LIM subject to the Royalty as provided herein. LIM shall not be liable for Mineral values lost in mining pursuant to sound mining and metallurgical engineering practices. The Royalty shall be payable on any Mineral Products recovered from any waste rock, spoil, tailings, or other mine waste and residue and sold provided such waste rock, spoil, tailings, or other mine wastes and residue shall, for greater certainty, be the property of LIM.
- (f) *Access to Properties.* Subject at all times to the workplace rules and supervision of LIM, and provided any rights of access do not interfere with any exploration, development, mining or processing work conducted on the Property or at any facility at which Mineral Products from the Property may be processed, RoyaltyCo shall at all reasonable times and upon reasonable notice, and at its sole risk and expense, have (i) a right of access by its representatives to the Property and to any processing facilities used by LIM to process Mineral Products derived from the Property, and (ii) the right to monitor LIM's stockpiling of ore or Mineral Products derived from the Property and to take samples from the Property or from any processing facility for purposes of assay verifications.

3.6 Interest in Land: The Parties agree that, subject to the provisions of section 6.3, the Royalty on the Mineral Rights License forming a part of the Property will be a covenant running with the Property, will be enforceable as an *in rem* interest in land which shall run with the Property and will be binding upon and enure to the benefit of the Parties and their respective successors and assigns, provided that for that part of the Property that comprises a Mining Lease; (i) the Royalty thereon will be a covenant running with LIM's leasehold

interest in the Mining Lease for the entire term of the applicable lease and any and all renewals and extensions thereof; (ii) any assignment or sublease of the Mining Lease shall include a provision requiring the assignee or sublessee to pay the Royalty on the Mining Lease; and (iii) any conveyance by LIM of any part of the Property that is a Mineral Rights License (other than a conveyance to the lessor under the Mining Lease) shall include a provision requiring the transferee to pay the Royalty on the Mineral Rights License.

It is the intention of the Parties that to the extent permissible at law, the Royalty on the Mineral Rights License and the Mining Lease shall be registerable or otherwise recordable in all public places where interests in a royalty are recordable and LIM shall execute and deliver such further documents as may be necessary for the timely and effective recording or registration of a caution, notice or caveat in respect of the Royalty on the Mineral Rights License and the Mining Lease created by this Agreement, in such public places.

3.7 Ore Processing: All determinations with respect to: (a) whether ore from the Property will be beneficiated, processed or milled by LIM or sold in a raw state; (b) the methods of beneficiating, processing or milling any such ore; (c) the constituents to be recovered therefrom; and (d) the purchasers to whom any ore, minerals or mineral substances derived from the Property may be sold, shall be made by LIM in its sole and absolute discretion.

3.8 Annual Report: LIM shall deliver to RoyaltyCo on or before 60 days after the last day of each fiscal year of LIM an Annual Report detailing:

- (i) the number of tonnes of Mineral Products produced from the Property, on a month by month basis, in the applicable year;
- (ii) if applicable, the names and addresses of each Offtaker to which the Minerals referred to in subsection (i) were delivered or sold;
- (iii) the Gross Revenue which has resulted or which is estimated to result from the Mineral Products referred to in subsection (i), on a month by month basis;
- (iv) the amount of the Royalty which has been paid to RoyaltyCo with respect to the Mineral Products referred to in subsection (i) on a month by month basis, in accordance with the provisions of this Agreement.

With respect to any Annual Report, RoyaltyCo shall have the right to dispute any information of the kind referenced in Section 3.8 (i) to (iv) above included in the Annual Report in accordance with the provisions of this section. If RoyaltyCo disputes any of that information in an Annual Report:

- (a) RoyaltyCo shall notify LIM in writing within 90 days from the date of delivery of the applicable Annual Report that it disputes the accuracy of that Annual Report (or any part thereof) (the “**Audit Dispute Notice**”);

(b) RoyaltyCo on the one hand and LIM on the other hand shall have 90 days from the date the Audit Dispute Notice is delivered by RoyaltyCo to resolve the dispute. If RoyaltyCo and LIM have not resolved the dispute within the said 90 day period, a mutually agreed independent third-party expert will be appointed to prepare a report with respect to the dispute in question (the "Expert's Report"). If RoyaltyCo and LIM have not agreed upon such expert within a further 10 days after the said 90 day period, then the dispute as to the expert shall be resolved by the dispute mechanism procedures set forth in Article 5; and

(c) if RoyaltyCo or LIM disputes the Expert's Report and such dispute is not resolved between the Parties within ten days after the date of delivery of the Expert's Report, then such dispute shall be resolved by the dispute mechanism procedures set forth in Article 5.

If LIM does not deliver an Annual Report as required pursuant to this Article, RoyaltyCo shall have the right to perform or to cause its representatives or agents to perform, at the cost and expense of LIM, an audit of the books and records of LIM relevant to the Royalty. LIM shall grant RoyaltyCo and its agents access to all such books and records on a timely basis during normal business hours. In order to exercise this right, RoyaltyCo must provide not less than three Business Days' written notice to LIM of its intention to conduct the said audit. If within seven days of receipt of such notice, LIM delivers the applicable Annual Report, then RoyaltyCo shall have no right to perform the said audit. If LIM delivers the Annual Report before the delivery of the report prepared in connection with the said audit, the applicable Annual Report shall be taken as final and conclusive, subject to the rights of RoyaltyCo as set forth in Article 5. Otherwise, absent any manifest or gross error in RoyaltyCo's audit report, RoyaltyCo's report shall be final and conclusive, subject to the provisions of Article 5.

3.9 Covenant Regarding Title: LIM does hereby covenant and agree that it shall forthwith provide written notice to RoyaltyCo of LIM's receipt of any amendments, revisions and/or expansions with respect to the Property. LIM additionally covenants that subject to the provisions of section 6.3, it shall not, amend, supplement, waive, restate, supersede, terminate, cancel or release or otherwise consent to any change in the legal title of the Property without the prior written consent of RoyaltyCo, such consent not to be unreasonably withheld.

3.10 Financing of Property development: LIM shall be entitled to grant a mortgage, charge or encumbrance over the Property in connection with a debt financing for the purpose of developing all or part of the Property.

LIM covenants to and in favour of RoyaltyCo that the terms of any financing arranged with respect to the Property shall not allow for the lenders to prohibit or interfere with any Royalty payments due to RoyaltyCo hereunder or allow for cash sweeps or payments of excess cash flow to the lenders in priority to any Royalty payments due to RoyaltyCo hereunder.

In connection with any such financing LIM shall obtain at the closing of such financing a certificate executed by an authorized officer of each lending institution or any other third party to the project financing, acknowledging the validity and existence of this Agreement and the Royalty obligations under this Agreement and agreeing that it will not object to or attempt to prohibit payment of any of the payments of the Royalty hereunder.

3.11 LIM to Determine Operations: LIM will have complete discretion concerning the nature, timing and extent of all exploration, development, mining and other operations conducted on or for the benefit of the Property and may suspend operations and production on the Property at any time it considers prudent or appropriate to do so.

LIM may, but will not be obligated to treat, screen, sort, concentrate, or otherwise process, beneficiate or upgrade the ores, and other Mineral Products at sites located on or off the Property, prior to sale, transfer, or conveyance to a purchaser, user, or consumer. LIM will not be liable for mineral values lost in processing under sound practices and procedures, and no Royalty will be due on any such lost mineral values.

LIM shall be entitled to temporarily stockpile, store or place ores, concentrates or other Mineral Products produced from the Property in any locations owned, leased, rented or otherwise controlled by LIM or its Affiliates, provided the same are appropriately identified as to ownership and origin and secured from loss, theft, tampering and contamination.

LIM will owe RoyaltyCo no duty to explore, develop or mine the Property, or to do so at any rate or in any manner other than that which LIM may determine in its sole and unfettered discretion.

3.12 Nature of RoyaltyCo's Interest: The Royalty payable to RoyaltyCo shall be payable only on Production of Mineral Products from the Property, and not Production from any other properties adjacent to or in the vicinity of the Property. RoyaltyCo shall not have any possessory or working interest in the Property, nor any of the incidents of such interest.

ARTICLE 4 MISCELLANEOUS

4.1 Other Activities and Interests: This Agreement and the rights and obligations of the Parties hereunder are strictly limited to the Property. Save and except as herein specifically provided, each Party will have the free and unrestricted right to enter into, conduct and benefit from any and all business ventures of any kind whatsoever, whether or not competitive with the activities undertaken pursuant hereto, without disclosing such activities to the other Party or inviting or allowing the other to participate therein including activities involving mineral claims or mineral leases adjoining the Property.

4.2 Confidentiality: All information, data, reports, records, analyses, economic and technical studies and test results relating to the Property (including but not limited to, the Annual Report referred to in subsection 3.8 above) and the activities of LIM or any other

party thereon and the terms and conditions of this Agreement, all of which will hereinafter be referred to as “**Confidential Information**,” will be treated by RoyaltyCo as confidential and will not be disclosed to any person not a party to this Agreement, except in the following circumstances:

- (a) RoyaltyCo may disclose Confidential Information to its auditors, legal counsel, institutional lenders, brokers, underwriters and investment bankers, provided that such non-party users are advised of the confidential nature of the Confidential Information, undertake to maintain the confidentiality thereof and are strictly limited in their use of the Confidential Information to those purposes necessary for such non-party users to perform the services for which they were retained by RoyaltyCo;
- (b) RoyaltyCo may disclose Confidential Information to prospective purchasers of RoyaltyCo’s right to receive the Royalty, provided that each such prospective purchaser first agrees in writing to hold such information confidential in accordance with this section and to use it exclusively for the purpose of evaluating its interest in purchasing such Royalty right;
- (c) In the event RoyaltyCo becomes a Public Company, RoyaltyCo and LIM may disclose Confidential Information where that disclosure is necessary to comply with such Public Company’s disclosure obligations and requirements under any securities law, rules or regulations or stock exchange listing agreements, policies or requirements or in relation to proposed credit arrangements, and LIM agrees to provide to RoyaltyCo all such information as RoyaltyCo, acting reasonably, determines is necessary or desirable to fulfill RoyaltyCo’s disclosure obligations and requirements under applicable securities laws, provided that
 - i. prior to making any such disclosure, RoyaltyCo shall give LIM three Business Days’ prior written notice and the opportunity to comment on such disclosure. Additionally, LIM agrees to use its reasonable efforts to ensure that a “qualified person” of LIM (for the purposes of National Instrument 43 101) reviews and comments upon all requisite securities documents of RoyaltyCo that contain and disclose scientific and technical information with respect to the Royalty or the Property, including without limitation, annual information forms and press releases and to ensure that RoyaltyCo may quote and rely upon such “qualified person” in any such document, all as required by requisite securities laws, provided that any additional cost incurred by LIM or such “qualified person” in any such review will be for the account of RoyaltyCo; and
 - ii. LIM assumes no liability to RoyaltyCo’s shareholders or the shareholders of any Public Company which controls RoyaltyCo for the accuracy, reliability or completeness of any such disclosure; or
- (d) with the prior written approval of LIM.

Any Confidential Information that becomes a part of the public domain by no act or omission in breach of this section will cease to be confidential information for the purposes of this section. RoyaltyCo agrees that any Confidential Information it discloses under section 4.2(c) shall be accompanied by public-company standard disclaimers regarding reliance on forward-looking statements.

4.3 No Partnership: This Agreement is not intended to, and will not be deemed to, create any partnership relation between the Parties including without limitation, a joint venture, mining partnership or commercial partnership. The obligations and liabilities of the Parties will be several and not joint and neither of the Parties will have or purport to have any authority to act for or to assume any obligations or responsibility on behalf of another Party. Nothing herein contained will be deemed to constitute a Party the partner, agent, joint venturer or legal representative of another Party.

4.4 No Waivers: No waiver of or with respect to any term or condition of this Agreement shall be effective unless it is in writing and signed by the waiving Party, and then such waiver shall be effective only in the specific instance and for the purpose for which given. No course of dealing between the Parties, nor any failure to exercise, nor any delay in exercising, on the part of a Party hereunder, any right, power, or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any specific waiver of any right, power or privilege hereunder preclude any other or further exercise thereof of the exercise of any other right, power or privilege.

ARTICLE 5 ARBITRATION

5.1 Any matter in this Agreement in dispute between the Parties which has not been resolved by the Parties within thirty (30) days of the delivery of notice by either party of such dispute may be referred to binding arbitration. Such referral to binding arbitration shall be to a single qualified arbitrator. The *Arbitration Act, 1991* (Ontario) (as the same may be amended from time to time) (the "*Act*") shall govern such arbitration proceedings in accordance with its terms. The Parties shall select one qualified arbitrator by mutual agreement, failing which, such qualified arbitrator shall be determined in accordance with the provisions of the Act for selecting a single arbitrator. The determination of such qualified arbitrator shall be final and binding upon the Parties hereto and the costs of such arbitration shall be as determined by the arbitrator. The Parties covenant that they shall conduct all aspects of such arbitration having regard at all times to expediting the final resolution of such arbitration. The term "qualified arbitrator" as used herein shall refer to qualified professional person who has at least ten years of mining industry experience in the subject matter of the dispute and is independent of both Parties.

ARTICLE 6 ASSIGNMENT AND SURRENDER

6.1 Assignment by LIM: LIM shall be entitled to assign, sell, transfer, lease, mortgage, charge or otherwise encumber its interests in the Property or any part thereof and its rights and obligations under this Agreement, subject to the following conditions, it being acknowledged that upon such conditions being satisfied in respect of any such assignment, sale or transfer LIM, as the case may be, shall be released from all obligations under this Agreement:

- (a) the purchaser, transferee, lessee or assignee of the Property or this Agreement agrees in writing in favour of RoyaltyCo to assume the obligations and be bound by the terms of this Agreement including, without limitation, this section 6;
- (b) the purchaser, transferee or assignee of this Agreement has simultaneously acquired LIM's right, title and interest in and to the Property or the relevant part thereof; and
- (c) any mortgagee, chargee, lessee, assignee or encumbrancer of the Property agrees in writing in favour of RoyaltyCo to be bound by and subject to the terms of this Agreement in the event it takes possession of or forecloses on all or part of the Property and undertakes to obtain an agreement in writing in favour of RoyaltyCo from any subsequent purchaser, lessee, assignee or transferee of such mortgagee, chargeholder, lessee, assignee or encumbrancer that such subsequent purchaser, lessee, assignee or transferee will be bound by the terms of this Agreement including, without limitation, this section 6.

Upon all applicable conditions under this Section 6.1 being satisfied, LIM shall be released from all obligations under this Agreement.

6.2 Assignment by RoyaltyCo: The Royalty and the benefits, rights, duties and obligations of RoyaltyCo may be assigned or transferred by RoyaltyCo in whole or in part provided that

- i. each assignee shall agree with LIM, as the case may be, in writing and as a condition to such assignment or transfer being effective, to be bound by the terms and conditions of this Agreement including, without limitation, this article 6; and
- ii. any such assignment other than to (i) a bona fide credit provider to RoyaltyCo as security for credit provided to RoyaltyCo; or (ii) a parent, affiliate or wholly-owned subsidiary company of RoyaltyCo shall be subject to a right of first refusal in favour of LIM exercisable within thirty (30) days of RoyaltyCo giving notice to LIM of a proposed assignment or transfer (including the terms thereof); and
- iii. if the assignment or transfer to a third party is not completed within 180 days of RoyaltyCo giving notice to LIM, then RoyaltyCo shall again provide notice to LIM permitting it to exercise its right of first refusal in accordance with this Section.

6.3. Surrender of Claims and Reservation of Interest:

In the event that LIM decides to surrender, allow to expire, or otherwise abandon or not renew the Claims or all or part of the Property:

- (a) LIM will provide three months' notice ("Notice") to RoyaltyCo of its intention and the description of Claims or the portion of the Property to be surrendered, allowed to expire, abandoned or not renewed (the "Surrendered Property") and the date of the proposed surrender, expiry or abandonment.
- (b) RoyaltyCo will have the exclusive right, exercisable upon notice in writing delivered to LIM prior to expiry of the Notice, to require a transfer of the Surrendered Property to RoyaltyCo and LIM shall execute and deliver, at RoyaltyCo's expense, such transfer documentation as RoyaltyCo may request.

For greater certainty, upon LIM transferring to RoyaltyCo the Surrendered Property, LIM shall be released from all obligations under this Agreement applicable to the Surrendered Property, provided that at the time of surrender there is no environmental liability existing on or with respect to the Surrendered Property and LIM has not received any notice from any regulatory or governmental authority with respect to any environmental matter affecting the Surrendered Property.

- (c) LIM will ensure that there are sufficient assessment work credits on the Surrendered Property, to keep such Surrendered Property in good standing for a further six months from the date of the proposed surrender, expiry or abandonment.
- (d) If RoyaltyCo do not request a transfer of the Surrendered Property prior to expiry of the Notice, LIM may surrender or abandon the Property as it sees fit.

ARTICLE 7 GENERAL

7.1 Entire Agreement: This Agreement, including the Schedules hereto, constitutes the entire agreement of the Parties with respect to the subject matter hereof, any and all previous representation, agreements and promises in respect thereto being hereby expressly rescinded and replaced hereby. There are no implied covenants contained herein. No modification or alteration of this Agreement will be effective unless in writing executed subsequent to the date hereof by both Parties.

7.2 Term of Agreement: Unless terminated earlier in accordance with its terms, this Agreement and the Royalty shall continue in effect with respect to any of the Property and be binding upon the successors and assigns of LIM and the successors in title to the Property. If any right, power or interest of either Party under this Agreement would violate the rule against perpetuities, then such right, power or interest shall terminate at the expiration of 20 years after the death of the last survivor of all the lineal descendants of Her Majesty, Queen Elizabeth II of England, living on the date of this Agreement.

7.3 Further Assurances: Each Party will, at the request of another Party and at the requesting Party's expense, execute all such documents and take all such actions as may be reasonably required to effect the purposes and intent of this Agreement.

7.3 Notices: Any notice required to be given or delivery of documents required to be made under this Agreement shall be in writing and shall be deemed to be well and sufficiently given if delivered, or if mailed, by registered mail, or sent by facsimile, email or any other electronic means, to the Parties at their addresses as follows:

If to LIM, at:

Labrador Iron Mines Limited
Suite 1805, 55 University Avenue
Toronto, ON M5J 2H7

Attention: John Kearney, Chairman
Email: kearney.j@labradorironmines.ca
Facsimile: 416-368-5344

If to RoyaltyCo:

Houston Iron Royalties Limited
c/o Suite 1805, 55 University Avenue
Toronto, ON M5J 2H7

Attention:
Email:
Facsimile:

or to such other address as a Party may direct by written notice given in accordance with this subsection 7.3.

Any notice given as provided in this Section shall be deemed to have been given, if delivered, when delivered; or if sent by facsimile, email or any other electronic means, on the first business day after the date of transmission; or, if mailed, on the third business day after the date of mailing provided that if, between the time of mailing and the actual or deemed receipt of the notice there be a mail strike, slowdown or other labour dispute which might affect the delivery of such notice, then such notice shall only be effective if actually delivered.

7.4 Applicable Law: This Agreement shall be construed in accordance with the laws of the Province of Ontario.

7.5 Successors and Assigns: This Agreement shall inure to the benefit of and be binding upon the Parties hereto, their respective successors and permitted assigns.

7.6 Severability: If any provisions of this Agreement shall be held to be invalid or unenforceable, such invalidity or unenforceability shall attach only to such provisions and shall not in any manner affect or render invalid or unenforceable any other provision of this Agreement.

7.7 Execution in Counterparts: This Agreement may be executed in several counterparts, each of which when so executed shall be deemed to be an original, and such counterpart thereof together shall comprise one and the same instrument and, notwithstanding their date of execution, shall be deemed to bear the date first set forth above.

IN WITNESS WHEREOF the Parties hereto have caused this Agreement to be duly executed by their authorized signatories hereunto duly authorized all as of the day and year first above written.

LABRADOR IRON MINES LIMITED

By: _____
Name:
Title:

HOUSTON IRON ROYALTIES LIMITED,

By: _____
Name:
Title:

SCHEDULE "A" – THE PROPERTY

The Houston property consists of 1 Mining Lease and 1 Mineral Rights License issued by the Department of Natural Resources, Province of Newfoundland and Labrador, representing 112 mineral claims located in northwest Labrador covering approximately 2,800 hectares as follows:

No.	Registered Owner	Area (ha.)
Houston:		
Licence 020433M	LIM	2,800 (approx.)
Lease 216	LIM	352 (approx. and included in Licence above)

**SCHEDULE D
SMI ROYALTY AGREEMENT**

SEE ATTACHED

MALCOLM ROYALTY AND REAL RIGHTS AGREEMENT

THIS AGREEMENT is made as of the day of 2016.

BETWEEN:

SCHEFFERVILLE MINES INC.,
a company duly incorporated under the laws of Canada
(hereinafter referred to as "SMI")

AND:

HOUSTON IRON ROYALTIES LIMITED,
a corporation incorporated under the laws of the Province of Ontario, Canada
(hereinafter referred to as "RoyaltyCo")

both of which are collectively hereinafter referred to as the "Parties".

WHEREAS SMI together with an affiliated corporation, Labrador Iron Mines Limited ("LIM") and its parent Labrador Iron Mines Holdings Limited ("LIMH"), (collectively (the "Applicants") commenced proceedings under the *Companies Creditors Arrangement Act*, RSC1985, c.C-36 (the "CCAA Proceedings") to restructure their business and affairs and to seek acceptance of a plan of compromise and arrangement of their liabilities (the "CCAA Plan") pursuant to an initial order dated April 2, 2015 of the Ontario Superior Court of Justice (Commercial List) (the "Court") as amended; and,

WHEREAS the CCAA Plan was approved by the creditors of the Applicants on ●, 2016 and sanctioned by the Court on ●, 2016; and

WHEREAS the CCAA Plan provides, among other things, that

- a) LIM and SMI shall grant royalties to RoyaltyCo; and
- b) creditors of LIM and SMI (other than LIMH) shall become entitled to receive, among other things, all of the shares of RoyaltyCo pro rata in accordance with the relative amounts of their proven claims; and

WHEREAS SMI is the beneficial owner of the Property (as hereinafter defined) and is the registered owner of a 100% interest in the Claims (as hereinafter defined) and has agreed to grant the Real Rights (as hereinafter defined), including the Royalty, to RoyaltyCo;

WHEREAS in accordance with the CCAA Plan the Parties have entered into this Agreement to establish the terms and conditions of the Royalty (as hereinafter defined) to be granted by SMI to RoyaltyCo as a condition precedent to the implementation of the CCAA Plan:

NOW THEREFORE, in consideration of the premises and mutual covenants contained herein and for other good and valuable consideration (the receipt and sufficiency of which are hereby acknowledged), the parties hereto agree as follows:

ARTICLE 1.

DEFINITIONS AND INTERPRETATION

1.1. Definitions:

In this Agreement, unless otherwise provided:

- (a) "**Agreement**" means this agreement and all amendments and modifications hereto;
- (b) "**Business Day**" means a day other than a Saturday, Sunday or statutory holiday in the Province of Québec;
- (c) "**Claims**" means the mineral claims set out in Schedule A located in the Schefferville area in the Province of Québec and registered in the Public Register of Real and Immovable Mining Rights, which falls under the jurisdiction of the Ministry of Natural Resources of Québec;
- (d) "**Effective Date**" means the date first set forth above;
- (e) "**Gross Revenue**" has the meaning set out in subparagraphs 2.2 (a) or (b) as the case may be;
- (f) "**Hollinger Royalty**" means the royalty payable by SMI on three (3) of the Claims ("**Hollinger Claims**") pursuant to the Hollinger Real Rights and Royalty Agreement dated July 12, 2013, equal to two Canadian dollars (\$2.00) per dry metric tonne on iron ore produced, shipped and sold from the Hollinger Claims;
- (g) "**Mineral Products**" shall mean any inorganic substance of value derived from the Property, whether on or in the Property (and including any tailings thereon), including precious or base metals and industrial Mineral Products, or any other derivative thereof;
- (h) "**Party**" means any of SMI or RoyaltyCo and, "**Parties**" means both of them, including in all cases their respective successors and permitted assigns;
- (i) "**Property**" means the Claims, together with all other claims, licences, leases or other rights or titles issued thereunder or in substitution therefor or acquired subsequently on or in all or part of the same land previously covered by any of the aforementioned claims, licences, leases or other rights;
- (j) "**Public Company**" means a company which is (i) a reporting issuer in a province of Canada under any applicable securities law, rules or regulations or a publicly reporting company in any jurisdiction other than Canada, or (ii) a company which is controlled by a reporting issuer or other publicly reporting company;
- (k) "**Real Rights**" means a direct real property interest in the Property, including the Claims, as well as all mineral substances present on the Property or extracted therefrom, provided that such rights shall be limited, insofar as same can be quantified, to a maximum of 2% of the volume of mineral substances present on, or extracted from, the Property from time to time;

(l) "Royalty" means the royalty payable by LIM to RoyaltyCo equal to 2% of Gross Revenue upon the sale or other disposition of Mineral Products derived from the Property; and

(m) "tonne(s)" means dry metric tonne(s).

1.2. Currency and Dates:

Except where otherwise specifically indicated, all amounts of money referred to in this Agreement are expressed in Canadian dollars and all days referred to in this Agreement shall indicate a Business Day.

1.3. Headings:

The division of this Agreement into Articles and Sections and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of the Agreement.

1.4. Expanded Meanings:

In this Agreement and in the schedule to this Agreement, unless there is something in the subject matter or context inconsistent therewith:

- (a) the singular shall include the plural and the plural shall include the singular;
- (b) the neuter gender shall include the masculine and feminine genders;
- (c) words of inclusion such as "including" in a list shall be read as being inclusive and without limitation, whether or not so stated; and
- (d) a reference to any statute shall be deemed to extend to and include any amendment or re-enactment of such statute.

1.5. Schedule:

Attached hereto and forming a part of this Agreement is: Schedule A — The Claims.

ARTICLE 2.

ROYALTY

2.1. Grant of Real Rights and Royalty:

SMI, as the owner of a one hundred per cent (100%) interest in the Property together with its successors or assignees, hereby grants the Real Rights, including the Royalty, to RoyaltyCo and its successors and permitted assigns.

The Parties agree that SMI shall be entitled to conduct its business activities on the Property, including mining, selling and shipping mineral products, notwithstanding the Real Rights granted to RoyaltyCo, in consideration for the payment of the Royalty by SMI, its successors or assignees, to RoyaltyCo, its successors and permitted assigns.

However, and notwithstanding any other provision in the present Agreement, RoyaltyCo may, at its sole discretion and upon notice to SMI, elect to receive the aforementioned consideration "in kind" for any future quarterly period or until the date of a subsequent notice requesting that SMI resume making payments of the Royalty in money.

If RoyaltyCo elects to receive the aforementioned consideration "in kind" SMI shall deliver to such RoyaltyCo at the Port of Sept Îles such quantity of iron ore or other mineral substances extracted from the Property as would represent the value of Royalty otherwise payable in money, calculated at the average selling price, but subject to a maximum of 2% of the volume of iron ore or other mineral substances extracted from the Property in such period, and provided that all arrangements for the physical delivery and transportation of such iron ore or mineral substances, and all costs of such arrangements and delivery in kind shall be the responsibility of and for the account.

2.2. Royalty Calculation on Sale of Mineral Products:

The Royalty shall be payable upon the sale or other disposition of the Mineral Products by SMI.

(a) In the event SMI sells Mineral Products under an arm's length, bona fide contract of sale, "**Gross Revenue**" from the Mineral Products shall mean the amount per tonne actually received by or credited to the account of SMI calculated f.o.b. port of Sept Îles or, in the case of sales ex-mine gate or ex-rail, calculated at the point of actual sale, including all payments, bonuses and allowances (but less any penalties, selling expenses or shipping charges from the port of Sept Îles), received or credited to the account of SMI or such other person or entity as SMI may have directed.

(b) In the event SMI sells or otherwise disposes of the Mineral Products in a non-arm's length transaction, "Gross Revenue" shall be calculated using the selling price f.o.b. port of Sept Îles for the Mineral Products as determined by reference to a standard industry publication or service containing prices or quotations of the prices at which Mineral Products of equivalent types and qualities are being sold or purchased at a specified point of delivery and, if applicable, by reference to a publication or service containing quotations of prices for ocean freight from the port of Sept Îles to the point of delivery (an "Industry Service") or, if an Industry Service is unavailable, then by such other means as may establish such prices or quotations of the prices at which Mineral Products of equivalent types are being sold and purchased, calculated f.o.b. port of Sept Îles.

2.3. Manner of Payment:

Payment of the Royalty shall be in accordance with and subject to the following:

(a) *Accrual of Payment.* Royalty payments shall accrue at the time of sale of any iron ore produced and shipped from the Property by SMI. For purposes of this Section, "time of sale" means the date SMI receives payment or credit to the account of SMI for the sale or other disposition of the iron ore.

(b) *Quarterly Payment.* Royalty payments shall be due and payable quarterly on the fifteenth day of each calendar month following the last day of the calendar quarter in which the same shall have accrued. Royalty payments shall be made by SMI by cheque (mailed to the address of RoyaltyCo in the records of SMI), electronic funds transfer or wire transfer (to the account of RoyaltyCo as advised in writing by RoyaltyCo to SMI), and shall be accompanied by a settlement sheet (mailed to RoyaltyCo) (a "Quarterly Statement") showing

- i. the quantities of iron ore produced, shipped and sold from the Property by SMI with respect to such quarter; ii. the calculation of the applicable Royalty payment;
 - iii. the calculation of Interest (as defined in Section 2.3(d) below) accrued on such Royalty payment, if any;
 - iv. the amount and method of calculation of any tax required to be withheld by SMI under applicable taxation legislation;
 - v. in the event of commingling as contemplated in Section 2.4(a), a detailed summary of the quantity of iron ore commingled; and
 - vi. any adjustments to any of the foregoing amounts resulting from the correction of estimates utilized in the compilation of a Quarterly Statement for a previous period or any prior advance Royalty payments made to RoyaltyCo.
- (c) *Depository Bank.* Each RoyaltyCo may, by written direction to SMI, designate a bank or other nominee to act as that RoyaltyCo's agent to receive from SMI all Royalty payments payable to such RoyaltyCo. For greater certainty, RoyaltyCo may designate different banks or nominees to act as their respective agents. All charges of such depository bank or nominee shall be the sole expense of RoyaltyCo. Any payment to said depository bank or nominee for credit to RoyaltyCo shall constitute full payment of the amount thereof to RoyaltyCo.
- (d) *Objections to Payments.* RoyaltyCo may object in writing to any Royalty payment amount within twelve (12) months of receipt of the relevant Quarterly Statement. If it is determined by agreement of the Parties or by arbitration that any Royalty payment has not been properly paid in full, the outstanding amount shall bear interest at the Prime Rate charged by the Toronto-Dominion Bank (determined as of the date on which the delinquent Royalty payment was properly due) plus 2% per annum, commencing on the date on which the delinquent Royalty payment was properly due ("Interest"). SMI shall pay to RoyaltyCo the outstanding amount of the Royalty payment and accrued Interest thereon.
- (e) *Offset of Overpayment.* If it is determined by agreement of the Parties or by arbitration that any Royalty payment was overpaid, SMI shall be entitled to offset such amount against the next Royalty payment.
- (f) *Withholding for Taxes.* All Royalty payments, including Interest, if any, will be made subject to withholding or deduction in respect of, for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied on such Royalty payment by or on behalf of any governmental authority having power and jurisdiction to tax and for which SMI is obligated in law to withhold or deduct and remit to such governmental authority. SMI shall set out in each Quarterly Statement any amount so withheld.
- (g) *No Deductions.* Subject to Sections 2.3(f) and (g), all Royalty payments shall be calculated without deduction or set off for costs of production, milling, processing,

transportation, taxes or other expenses whatsoever, except as may otherwise be provided in this Agreement.

- (h) *Payment in Kind.* Notwithstanding anything contained in this Section 2.3 any RoyaltyCo may by notice in writing given to SMI prior to the commencement of any operating year, elect to receive payment of the Royalty for that forthcoming year by delivery to such RoyaltyCo at the Port of Sept Iles at the end of each operating year of such quantity of iron ore as would represent the value of Royalty otherwise payable in money for that year, calculated at SMI's average selling price for the year, provided that the physical arrangements and cost of such delivery in kind shall be the responsibility of and for the account of and RoyaltyCo.

2.4. Other Terms Related to the Royalty:

- (a) *Commingling of Ores.* SMI shall have the right of mixing or commingling any iron ore mined or extracted from any distinct part of the Property with any similar substances derived from any other distinct part of the Property or any other lands or properties of SMI or any of its affiliates, provided that SMI shall first calculate accurately based upon an acceptable surveyed volume of iron ore mined or extracted, the quantity of the iron ore mined or extracted from each distinct part of the Property before the same are so mixed or commingled.
- (b) *Books and Records.* SMI shall keep true, complete and accurate books and records of all of its operations and activities with respect to the Property, including the mining and disposition of iron ore therefrom and the treatment, processing, transportation and sale or other disposition of iron ore, prepared in accordance with Generally Accepted Accounting Principles in Canada applicable to publicly accountable enterprises, consistently applied.
- (c) *Audit Rights.* Subject to complying with the confidentiality provisions of this Agreement, a RoyaltyCo and/or its authorized representatives shall be entitled, upon delivery of thirty (30) Business Days advance notice, and during the normal business hours of SMI, to perform, or to cause to be performed by a certified or chartered accountant and/or qualified or professional mining industry advisor, audits or other examinations of SMI's books and records relevant to the calculation and payment of the Royalty at least once and no more than twice per calendar year. RoyaltyCo shall diligently complete any audit or other examination permitted hereunder.

All expenses of any audit or other examination permitted hereunder shall be paid by RoyaltyCo, unless the results of such audit or other examination disclose a deficiency in respect of any Royalty payments paid to RoyaltyCo in respect of the period being audited or examined in an amount greater than 5% of the amount of the Royalty properly payable and which is due to misrepresentations and/or incomplete disclosure or deficiency, in which event all expenses shall be paid by SMI.

- (d) *Access to Books and Records.* In performing such audit or other examination, RoyaltyCo and/or its agents shall have reasonable access to all sampling, assay, weighing, and production records, including all mining, stockpile and commingling records of SMI relating to the Property and any iron ore derived from the Property (and RoyaltyCo shall be allowed to make notes or a photocopy thereof). The books and

records shall be retained by SMI or the operator of the Property in accordance with good mining industry practice for the period of at least six (6) years.

(e) *Waste Rock, Spoil and Tailings*. All tailing, residues, waste rock, spoiled leach materials, and other materials (collectively the "Materials") resulting from SMI's operations and activities on the Property shall be the sole property of SMI, but shall remain subject to the obligation to pay the Royalty should the same be processed or reprocessed, as the case may be, in the future and result in Products. SMI shall have the right to dispose of Materials from the Property, whether on or off of the Property, and to commingle the same with Materials from other properties. In the event Materials are processed or reprocessed, as the case may be, the Royalty applicable thereto shall be determined on a *pro rata* basis as determined by using such reasonable and customary engineering and technical practices as are then available.

(f) *Access to Property*. Subject to the workplace rules and supervision of SMI, RoyaltyCo shall, upon reasonable notice and at reasonable times, and at its sole risk and expense, have:

- i. a right of access to the Property and to any processing facilities used by SMI to process iron ore derived from the Property; and
- ii. the right to monitor SMI's stockpiling of iron ore derived from the Property and to take samples from the Property or from any processing facility for purposes of assay verifications,

provided that such rights do not interfere with exploration, development, mining or processing work.

2.5 Conduct of Mining Operations.

All determinations with respect to: (a) whether ore from the Property will be beneficiated, processed or milled by SMI or sold in a raw state; (b) the methods of beneficiating, processing or milling any such ore; (c) the constituents to be recovered therefrom; and (d) the purchasers to whom any ore, minerals or mineral substances derived from the Property may be sold, shall be made by SMI in its sole and absolute discretion in accordance with good mining practice.

SMI will have complete discretion concerning the nature, timing and extent of all exploration, development, mining and other operations conducted on or for the benefit of the Property and may suspend operations and production on the Property at any time it considers prudent or appropriate to do so.

SMI may, but will not be obligated to treat, screen, sort, concentrate, or otherwise process, beneficiate or upgrade the ores, and other Mineral Product at sites located on or off the Property, prior to sale, transfer, or conveyance to a purchaser, user, or consumer. SMI will not be liable for mineral values lost in processing under sound practices and procedures, and no Royalty will be due on any such lost mineral values.

SMI shall be entitled to temporarily stockpile, store or place ores, concentrates or other Mineral Product produced from the Property in any locations owned, leased, rented or otherwise controlled

by SMI or its Affiliates, provided the same are appropriately identified as to ownership and origin and secured from loss, theft, tampering and contamination.

SMI will owe RoyaltyCo no duty to explore, develop or mine the Property, or to do so at any rate or in any manner other than that which SMI may determine in its sole and unfettered discretion.

2.5 Interest in Land:

SMI agrees that RoyaltyCo may register this Agreement and the granting of Real Rights set out in this Agreement in the Register of Real and Immovable Mining Rights, maintained under the Mining Act (Quebec) (the Mining Register), and in the Land Registry as applicable.

The Parties agree that, subject to the provisions of section 3.3, the Real Rights will be a covenant running with the Property, will be enforceable as an *in rem* interest in land which shall run with the Property and will be binding upon and enure to the benefit of the Parties and their respective successors and assigns, provided that for any part of the Property that may comprise a Mining Lease; (i) the Royalty thereon will be a covenant running with SMI's leasehold interest in the Mining Lease for the entire term of the applicable lease and any and all renewals and extensions thereof; (ii) any assignment or sublease of the Mining Lease shall include a provision requiring the assignee or sublessee to pay the Royalty on the Mining Lease; and (iii) any conveyance by SMI of any part of the Property that is a mineral claim (other than a conveyance to the lessor under the Mining Leases) shall include a provision requiring the transferee to pay the Royalty on the Mineral Claim.

It is the intention of the Parties that to the extent permissible at law, the Royalty on the Real Rights shall be registerable or otherwise recordable in all public places where interests are recordable and SMI shall execute and deliver such further documents as may be necessary for the timely and effective recording or registration of a caution, notice or caveat in respect of the Real Rights created by this Agreement, in such public places.

2.8 Annual Report:

SMI shall deliver to RoyaltyCo on or before 60 days after the last day of each fiscal year of SMI an Annual Report detailing:

- (i) the number of tonnes of Mineral Products produced from the Property, on a month by month basis, in the applicable year;
- (ii) if applicable, the names and addresses of each Offtaker to which the Mineral Products referred to in subsection (i) were delivered or sold;
- (iii) the Gross Revenue which has resulted or which is estimated to result from the Mineral Products referred to in subsection (i), on a month by month basis;
- (iv) the amount of the Royalty which has been paid to RoyaltyCo with respect to the Mineral Products referred to in subsection (i) on a month by month basis, in accordance with the provisions of this Agreement.

With respect to any Annual Report, RoyaltyCo shall have the right to dispute any information of the kind referenced in Section 2.8 (i) to (iv) above included in the Annual Report in accordance with the provisions of this section. If RoyaltyCo disputes any of that information in an Annual Report:

- (a) RoyaltyCo shall notify SMI in writing within 90 days from the date of delivery of the applicable Annual Report that it disputes the accuracy of that Annual Report (or any part thereof) (the "Audit Dispute Notice");
- (b) RoyaltyCo on the one hand and SMI on the other hand shall have 90 days from the date the Audit Dispute Notice is delivered by RoyaltyCo to resolve the dispute. If RoyaltyCo and SMI have not resolved the dispute within the said 90 day period, a mutually agreed independent third-party expert will be appointed to prepare a report with respect to the dispute in question (the "Expert's Report"). If RoyaltyCo and SMI have not agreed upon such expert within a further 10 days after the said 90 day period, then the dispute as to the expert shall be resolved by the dispute mechanism procedures set forth in Article 6;
- (c) if the Expert's Report concludes that the amount of the Royalty which was to have been paid to RoyaltyCo was deficient by two percent or less from the Royalty set out in the Annual Report, then the cost of the Expert's Report shall be borne by RoyaltyCo;
- (d) if the Expert's Report concludes that the amount of the Royalty which was to have been paid to RoyaltyCo was deficient by more than two percent from the Royalty set out in the Annual Report, then the cost of the Expert's Report shall be borne by LIM; and
- (e) if RoyaltyCo or SMI disputes the Expert's Report and such dispute is not resolved between the Parties within ten days after the date of delivery of the Expert's Report, then such dispute shall be resolved by the dispute mechanism procedures set forth in Article 6.

If SMI does not deliver an Annual Report as required pursuant to this Article, RoyaltyCo shall have the right to perform or to cause its representatives or agents to perform, at the cost and expense of SMI, an audit of the books and records of SMI relevant to the Royalty in conjunction with the provisions of section 2.9. SMI shall grant RoyaltyCo and its agents access to all such books and records on a timely basis during normal business hours. In order to exercise this right, RoyaltyCo must provide not less than three Business Days' written notice to SMI of its intention to conduct the said audit. If within seven days of receipt of such notice, SMI delivers the applicable Annual Report, then RoyaltyCo shall have no right to perform the said audit. If SMI delivers the Annual Report before the delivery of the report prepared in connection with the said audit, the applicable Annual Report shall be taken as final and conclusive, subject to the rights of RoyaltyCo as set forth in Article 5. Otherwise, absent any manifest or gross error in RoyaltyCo's audit report, RoyaltyCo's report shall be final and conclusive, subject to the provisions of Article 5.

2.9 Rights to Monitor Processing of Minerals:

Subject at all times to the workplace rules and supervision of SMI, RoyaltyCo shall at all reasonable times and upon reasonable notice and at its sole risk and expense, have:

- (a) a right of access by its representatives to the Property and to any plant used by SMI to process Minerals derived from the Property (provided that in the event such plant is not

owned or controlled by SMI, such right of access shall only be the same as any such right of access of SMI); and

(b) the right:

(i) to monitor SMI's stockpiling and milling of ore or minerals derived from the Property and to take samples from the Property or from any mill or processor for the purposes of assay verifications; and

(ii) to weigh or to cause SMI to weigh or otherwise calculate the weight of all trucks transporting minerals from the Property to any plant processing Minerals from the Property prior to dumping of such ore and immediately following such dumping.

RoyaltyCo shall defend, indemnify and hold SMI harmless from and against any losses for damage to property or injury to or death of persons arising from any such inspection, or any inspection conducted pursuant to the provisions of section 2.11, except to the extent the same are caused by the gross negligence or wilful misconduct of SMI.

2.10 Covenant Regarding Senior Security:

SMI does hereby covenant and agree that it shall forthwith provide written notice to RoyaltyCo of SMI's receipt of any amendments, revisions and/or expansions with respect to the Property. SMI additionally covenants that it shall not, amend, supplement, waive, restate, supersede, terminate, cancel or release or otherwise consent to any change in the legal title of the Property without the prior written consent of RoyaltyCo, such consent not to be unreasonably withheld.

2.11 Covenant Regarding Title:

.SMI does hereby additionally covenant and agree that it shall forthwith provide written notice to RoyaltyCo of SMI's receipt of any amendments, revisions and/or expansions with respect to the Property. SMI additionally covenants that subject to the provisions of section 3.3, it shall not, amend, supplement, waive, restate, supersede, terminate, cancel or release or otherwise consent to any change in the legal title to the Property without the prior written consent of RoyaltyCo, such consent not to be unreasonably withheld.

2.12 Financing of Property Development:

SMI shall be entitled to grant a mortgage, charge or encumbrance over the Property in connection with a debt financing for the purpose of developing all or part of the Property.

SMI covenants to and in favour of RoyaltyCo that the terms of any financing arranged with respect to the Property shall not allow for the lenders to prohibit or interfere with any Royalty payments due to RoyaltyCo hereunder or allow for cash sweeps or payments of excess cash flow to the lenders in priority to any Royalty payments due to RoyaltyCo hereunder.

In connection with any such financing SMI shall obtain at the closing of such financing a certificate executed by an authorized officer of each lending institution or any other third party to the project financing, acknowledging the validity and existence of this Agreement and the Royalty obligations under this Agreement and agreeing that it will not object to or attempt to prohibit payment of any of the payments of the Royalty hereunder.

2.13 Nature of RoyaltyCo's Interest:

The Royalty payable to RoyaltyCo shall be payable only on production of Products from the Property, and not production from any other properties adjacent to or in the vicinity of the Property.

ARTICLE 3.

ASSIGNMENT AND SURRENDER

3.1. Transfer by SMI:

SMI, shall be entitled to assign, sell, transfer, lease, mortgage, charge or otherwise encumber its interests in the Property or any part thereof and its rights and obligations under this Agreement, subject to the following conditions, it being acknowledged that upon such conditions being satisfied in respect of any such assignment, sale or transfer SMI, as the case may be, shall be released from all obligations under this:

(a) the purchaser, transferee, lessee or assignee of the Property or this Agreement agrees in writing in favour of RoyaltyCo to assume the obligations and be bound by the terms of this Agreement including, without limitation, this section 6;

(b) the purchaser, transferee or assignee of this Agreement has simultaneously acquired SMI's right, title and interest in and to the Property or the relevant part thereof; and

(c) any mortgagee, chargee, lessee, assignee or encumbrancer of the Property agrees in writing in favour of RoyaltyCo to be bound by and subject to the terms of this Agreement in the event it takes possession of or forecloses on all or part of the Property and undertakes to obtain an agreement in writing in favour of RoyaltyCo from any subsequent purchaser, lessee, assignee or transferee of such mortgagee, chargeholder, lessee, assignee or encumbrancer that such subsequent purchaser, lessee, assignee or transferee will be bound by the terms of this Agreement including, without limitation, this article 3.

(d) Upon all applicable conditions under this Section 6.1 being satisfied, LIM shall be released from all obligations under this Agreement.

3.2 Assignment by RoyaltyCo: The Royalty and the benefits, rights, duties and obligations of RoyaltyCo may be assigned or transferred by RoyaltyCo in whole or in part provided that

- i. each assignee shall agree with SMI, as the case may be, in writing and as a condition to such assignment or transfer being effective, to be bound by the terms and conditions of this Agreement including, without limitation, this article 3; and
- ii. any such assignment other than to (i) a bona fide credit provider to RoyaltyCo as security for credit provided to RoyaltyCo; or (ii) a parent, affiliate or wholly-owned subsidiary company of RoyaltyCo shall be subject to a right of first refusal in favour of SMI exercisable within

thirty (30) days of RoyaltyCo giving notice to SMI of a proposed assignment or transfer (including the terms thereof); and.

- iii. if the assignment or transfer to a third party is not completed within 180 days of RoyaltyCo giving notice to SMI, then RoyaltyCo shall again provide notice to SMI permitting it to exercise its right of first refusal in accordance with this Section.

3.3. Surrender of Claims and Reservation of Interest:

In the event that SMI decides to surrender, allow to expire, or otherwise abandon or not renew the Claims or all or part of the Property:

- (a) SMI will provide three months' notice ("Notice") to RoyaltyCo of its intention and the description of Claims or the portion of the Property to be surrendered, allowed to expire, abandoned or not renewed (the "Surrendered Property") and the date of the proposed surrender, expiry or abandonment.
- (b) RoyaltyCo will have the exclusive right, exercisable upon notice in writing delivered to SMI prior to expiry of the Notice, to require a transfer of the Surrendered Property to RoyaltyCo and SMI shall execute and deliver, at RoyaltyCo's expense, such transfer documentation as RoyaltyCo may request.

For greater certainty, upon SMI transferring to RoyaltyCo the Surrendered Property, SMI shall be released from all obligations under this Agreement applicable to the Surrendered Property, provided that at the time of surrender there is no environmental liability existing on or with respect to the Surrendered Property and SMI has not received any notice from any regulatory or governmental authority with respect to any environmental matter affecting the Surrendered Property.

- (c) SMI will ensure that there are sufficient assessment work credits on the Surrendered Property, to keep such Surrendered Property in good standing for a further six months from the date of the proposed surrender, expiry or abandonment.
- (d) If RoyaltyCo does not request a transfer of the Surrendered Property prior to expiry of the Notice, SMI may surrender or abandon the Property as it sees fit.

ARTICLE 4.

REPRESENTATIONS AND WARRANTIES

4.1. Mutual Representations and Warranties:

Each Party represents and warrants to the other Party that:

- (a) the entering into or performance of this Agreement will not contravene any agreement or arrangement to which it is a party or by which it is bound;
- (b) this Agreement has been duly executed and delivered and is valid and binding upon it and enforceable in accordance with its terms;

- (c) it is a corporation duly incorporated under the laws of the jurisdiction in which it is incorporated, continued or amalgamated;
- (d) it is qualified to do business in those jurisdictions where necessary in order to carry out the purposes of this Agreement;
- (e) it has the capacity to enter into and perform its obligations under this Agreement and all transactions contemplated herein; and
- (f) all corporate and other actions required to authorize it to enter into and perform this Agreement have been properly taken.

4.2 Representations and Warranties of SMI:

SMI represents and warrants to RoyaltyCo that SMI is the sole beneficial owner of the Property known as the Malcolm Property free and clear of any liens, charge or encumbrance having priority over the Real Rights granted herein except for the Real Rights granted by SMI in connection with the Hollinger Royalty.

ARTICLE 5.

ARBITRATION

5.1. In this Article 5 only, "party" means either SMI, RoyaltyCo and "parties" means all three.

5.2. The parties will attempt to settle amicably all disputes. Any matter which has not been resolved by the parties within thirty (30) days of the delivery of notice by either party of such dispute may be referred to binding arbitration. Such referral to binding arbitration shall be to a single qualified arbitrator. The Civil Code of Quebec and the Quebec Code of Civil Procedure (collectively, the "Act") shall govern such arbitration proceedings in accordance with its terms. The parties shall select one qualified arbitrator by mutual agreement, failing which, such qualified arbitrator shall be determined in accordance with the provisions of the Act for selecting a single arbitrator. The determination of such qualified arbitrator shall be final and binding upon the parties hereto and the costs of such arbitration shall be as determined by the arbitrator. The parties covenant that they shall conduct such arbitration having regard to expediting the final resolution of such arbitration. The term "qualified arbitrator" as used herein shall refer to qualified professional person who has at least ten years of mining industry experience in the subject matter of the dispute and is independent of both parties.

ARTICLE 6

MISCELLANEOUS

6.1 **Other Activities and Interests:** This Agreement and the rights and obligations of the Parties hereunder are strictly limited to the Property. Save and except as herein specifically provided, each Party will have the free and unrestricted right to enter into, conduct and benefit from any and all business ventures of any kind whatsoever, whether or not competitive with the activities undertaken pursuant hereto, without disclosing such

activities to the other Party or inviting or allowing the other to participate therein including activities involving mineral claims or mineral leases adjoining the Property.

- 6.2 Confidentiality:** All information, data, reports, records, analyses, economic and technical studies and test results relating to the Property (including but not limited to, the Annual Report referred to in subsection 2.8 above) and the activities of SMI or any other party thereon and the terms and conditions of this Agreement, all of which will hereinafter be referred to as “**Confidential Information,**” will be treated by RoyaltyCo as confidential and will not be disclosed to any person not a party to this Agreement, except in the following circumstances:
- (a) RoyaltyCo may disclose Confidential Information to its auditors, legal counsel, institutional lenders, brokers, underwriters and investment bankers, provided that such non-party users are advised of the confidential nature of the Confidential Information, undertake to maintain the confidentiality thereof and are strictly limited in their use of the Confidential Information to those purposes necessary for such non-party users to perform the services for which they were retained by RoyaltyCo;
 - (b) RoyaltyCo may disclose Confidential Information to prospective purchasers of RoyaltyCo’s right to receive the Royalty, provided that each such prospective purchaser first agrees in writing to hold such information confidential in accordance with this section and to use it exclusively for the purpose of evaluating its interest in purchasing such Royalty right;
 - (c) In the event RoyaltyCo becomes a Public Company, RoyaltyCo and SMI may disclose Confidential Information where that disclosure is necessary to comply with such Public Company’s disclosure obligations and requirements under any securities law, rules or regulations or stock exchange listing agreements, policies or requirements or in relation to proposed credit arrangements, and SMI agrees to provide to RoyaltyCo all such information as RoyaltyCo, acting reasonably, determines is necessary or desirable to fulfill RoyaltyCo’s disclosure obligations and requirements under applicable securities laws, provided that
 - i. prior to making any such disclosure RoyaltyCo shall give SMI three Business Days’ prior written notice and the opportunity to comment on such disclosure. Additionally, SMI agrees to use its reasonable efforts to ensure that a “qualified person” of SMI (for the purposes of National Instrument 43-101) reviews and comments upon all requisite securities documents of RoyaltyCo that contain and disclose scientific and technical information with respect to the Royalty or the Property, including without limitation, annual information forms and press releases and to ensure that RoyaltyCo may quote and rely upon such “qualified person” in any such document, all as required by requisite securities laws, provided that any additional cost incurred by SMI or such “qualified person” in any such review will be for the account of RoyaltyCo; and

- ii. SMI assumes no liability to RoyaltyCo's shareholders or the shareholders of any Public Company which controls RoyaltyCo for the accuracy, reliability or completeness of any such disclosure; or

(d) with the prior written approval of SMI.

Any Confidential Information that becomes a part of the public domain by no act or omission in breach of this section will cease to be confidential information for the purposes of this section. RoyaltyCo agrees that any Confidential Information it discloses under section 6.2(c) shall be accompanied by public-company standard disclaimers regarding reliance on forward-looking statements.

6.3 No Partnership: This Agreement is not intended to, and will not be deemed to, create any partnership relation between the Parties including without limitation, a joint venture, mining partnership or commercial partnership. The obligations and liabilities of the Parties will be several and not joint and neither of the Parties will have or purport to have any authority to act for or to assume any obligations or responsibility on behalf of another Party. Nothing herein contained will be deemed to constitute a Party the partner, agent, joint venturer or legal representative of another Party.

6.4 No Waivers: No waiver of or with respect to any term or condition of this Agreement shall be effective unless it is in writing and signed by the waiving Party, and then such waiver shall be effective only in the specific instance and for the purpose for which given. No course of dealing between the Parties, nor any failure to exercise, nor any delay in exercising, on the part of a Party hereunder, any right, power, or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any specific waiver of any right, power or privilege hereunder preclude any other or further exercise thereof of the exercise of any other right, power or privilege.

ARTICLE 7. GENERAL

7.1. Entire Agreement:

This Agreement, including the Schedules hereto, constitutes the entire agreement of the Parties with respect to the subject matter hereof, any and all previous representation, agreements and promises in respect thereto being hereby expressly rescinded and replaced hereby. There are no implied covenants contained herein. No modification or alteration of this Agreement will be effective unless in writing executed subsequent to the date hereof by both Parties.

7.2. Term of Agreement:

Unless terminated earlier in accordance with its terms, this Agreement and the Royalty shall continue in effect with respect to the Property and be binding upon the successors and assigns of SMI and the successors in title to the Property.

7.3. Notices:

Any notice required to be given or delivery of documents required to be made under this Agreement shall be in writing and shall be deemed to be well and sufficiently given if delivered, or if mailed, by registered mail, or sent by facsimile, email or any other electronic means, to the Parties at their addresses as follows:

If to SML, at:

Schefferville Mines Inc.
Suite 1805, 55 University Avenue
Toronto, ON M5J 2H7

Attention: John Kearney, Chairman
Email: kearney.j@labradorironmines.ca
Facsimile: 416-368-5344

If to RoyaltyCo:

Houston Iron Royalties Limited
c/o Suite 1805, 55 University Avenue
Toronto, ON M5J 2H7

Attention:
Email:
Facsimile: ,

or to such other address as a Party may direct by written notice given in accordance with this subsection 7.3.

Any notice given as provided in this Section shall be deemed to have been given, if delivered, when delivered; or if sent by facsimile, email or any other electronic means, on the first business day after the date of transmission; or, if mailed, on the third business day after the date of mailing provided that if, between the time of mailing and the actual or deemed receipt of the notice there be a mail strike, slowdown or other labour dispute which might affect the delivery of such notice, then such notice shall only be effective if actually delivered.

7.4. Further Acts:

The Parties agree to do or cause to be done all acts or things reasonably necessary to implement and carry into effect this Agreement to the full extent, including the registration of this Agreement on title to the Property.

7.5. Governing Law:

This Agreement shall be governed by and interpreted in accordance with the laws of the Province of Québec.

7.6. Successors and Assigns:

This Agreement shall enure to the benefit of and be binding upon the Parties and their respective administrators, successors and permitted assigns.

7.7. Severability:

If any provision of this Agreement shall be held to be invalid or unenforceable, such invalidity or unenforceability shall attach only to such provision and shall not in any manner affect or render invalid or unenforceable any other provision of this Agreement.

7.8. Language:

This Agreement has been drafted in English at the request of all the parties hereto. La présente entente a été rédigée en langage anglaise à la demande expresse des parties.

7.9. Execution in Counterparts:

This Agreement may be executed in several counterparts, each of which when so executed shall be deemed to be an original, and such counterpart thereof together shall comprise one and the same instrument and, notwithstanding their date of execution, shall be deemed to bear the date first set forth above.

IN WITNESS WHEREOF, the Parties have executed this Agreement this day of , 2016.

SCHEFFERVILLE MINES INC

By:

Name:

Title:

HOUSTON IRON ROYALTIES LIMITED,

By:

Name:

Title:

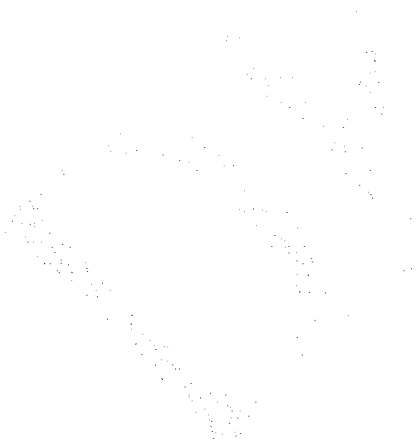
SCHEDULE "A" – THE CLAIMS

The Malcolm I property consists of 41 mineral claims covering approximately 1,210.7 hectares issued by the Ministry of Energy and Natural Resources, Province of Québec as follows:

Claim Nos.	Registered Owner	Area (ha.)
Malcolm:		
CDC-2317779	Schefferville	49.79
CDC-2298709	Schefferville	49.75
CDC-2233268	Schefferville	49.79
CDC-2233270	Schefferville	49.78
CDC-2188826	Schefferville	49.77
CDC-2298708	Schefferville	37.3
CDC-2317787	Schefferville	0.67
CDC-2317784	Schefferville	39.44
CDC-2375174	Schefferville	7.77
CDC-2298704	Schefferville	10.88
CDC-2298707	Schefferville	11.62
CDC-2183174	Schefferville	49.74
CDC-2375170	Schefferville	8.54
CDC-2375173	Schefferville	34.28
CDC-2375171	Schefferville	45.41
CDC-2233266	Schefferville	10.28
CDC-2375172	Schefferville	36.57
CDC-2233267	Schefferville	48.76
CDC-58048	Schefferville	47.86
CDC-2298706	Schefferville	36.79
CDC-2233269	Schefferville	37.6
CDC-2298705	Schefferville	1.7
CDC-2317786	Schefferville	3.61
CDC-2317782	Schefferville	28.74
CDC-2279509	Schefferville	48.55
CDC-2317781	Schefferville	49.78
CDC-2259638	Schefferville	49.77
CDC-2317785	Schefferville	21.59
CDC-2298702	Schefferville	17.22
CDC-2233265	Schefferville	11.63
CDC-2317783	Schefferville	4.01
CDC-2183173	Schefferville	49.74
CDC-2317780	Schefferville	32.37
CDC-2298703	Schefferville	40.99
CDC 58039	Schefferville	20.81
CDC 58040	Schefferville	4.44
CDC-58045	Schefferville	49.76

Claims subject to Hollinger Royalty

CDC 2386623	Schefferville	10.17
CDC 2386624	Schefferville	1.78
CDC 2386625	Schefferville	1.91



SCHEDULE E UNAFFECTED CLAIMS

"Unaffected Claim" includes the following Claims and Post-Filing Claims, and such other Claims and Post-Filing Claims as may be designated in any plan of arrangement, compromise or reorganization as not being affected by that plan:

- (a) Post-Filing Claims of the Monitor and its counsel, and Post-Filing Claims of the Applicants counsel;
- (b) Post-Filing Claims for fees and disbursements or indemnification of any auditor or other professional retained by the Applicants in respect of these proceedings;
- (c) Post-Filing Claims arising in the ordinary course with respect to the preservation and protection of the Applicants' business including, without limitation, payments for insurance, maintenance and security;
- (d) Post-Filing Claims for amounts due for goods or services actually supplied to the Applicants;
- (e) Claims and Post-Filing Claims of Her Majesty the Queen in Right of Canada or of any Province or Territory or any other taxation authority:
 - i. for any statutory deemed trust amounts which are required to be deducted from employees' wages, including amounts in respect of employment insurance, Canada Pension Plan, Quebec Pension Plan and income taxes;
 - ii. for goods and services or other applicable sales taxes accruing from and after the Commencement Date payable by the Applicants or their customers in connection with the sale of goods and services by the Applicants to such customers; and
 - iii. in respect of any environmental matters, but only to the extent of the charge granted under subsection 11.8(8) of the CCAA;
- (f) Claims and Post-Filing Claims arising in the ordinary course of business against the Applicants solely to the extent of, and with recourse limited to coverage for those claims under any insurance policies.

**SCHEDULE F
LABRADOR IRON MINES MANAGEMENT SERVICES AGREEMENT**

ATTACHED

MANAGEMENT SERVICES AGREEMENT

THIS MANAGEMENT SERVICES AGREEMENT effective as of [], 2016.

BETWEEN:

LABRADOR IRON MINES LIMITED

A corporation incorporated under the laws of the Province of Ontario,
Canada

(Hereinafter referred to as “LIM”)

- and -

LABRADOR IRON MINES HOLDINGS LIMITED,

A corporation incorporated under the laws of the Province of Ontario,
Canada

(Hereinafter referred to as “LIMH”)

All of which are collectively hereinafter referred to as the “Parties”.

WITNESSETH

WHEREAS LIM is engaged in the business of developing and commercially exploiting iron ore resources located in northeastern Québec and western Labrador, Canada near the town of Schefferville, Québec; and

WHEREAS, LIM, Schefferville Mines Inc. (“SMI”) and LIMH (collectively referred to in these recitals as the “Applicants”) commenced proceedings under the *Companies’ Creditors Arrangement Act*, RSC1985, c.C-36 (the “**CCAA Proceedings**”) to restructure their business and affairs and to seek acceptance of a plan of compromise and arrangement of their liabilities (the “**CCAA Plan**”) pursuant to an initial order dated April 2, 2015 of the Ontario Superior Court of Justice (Commercial List) (the “**Court**”) as amended; and

WHEREAS the CCAA Plan was approved by the creditors of the Applicants on ●, 2016 and sanctioned by the Court on ●, 2016; and

WHEREAS the CCAA Plan provides, among other things, that

- a) All of the issued shares of SMI, currently held by LIMH shall be transferred to LIM making SMI a wholly-owned subsidiary of LIM
- b) Creditors with proven claims against LIM and SMI shall receive and hold, among other things, approximately 49% of the issued common shares of LIM; and
- c) In consideration of its intercompany claim against LIM and Schefferville, LIMH shall become entitled to receive and hold, among other things, approximately 51% of the issued common shares of LIM; and

WHEREAS in accordance with the CCAA Plan, LIMH has agreed to provide to LIM all necessary management services and personnel for the continued operation of the business of LIM; and

WHEREAS the Parties have entered into this Agreement to establish the terms and conditions of the delivery of such services as a condition precedent to the implementation of the CCAA Plan.

NOW THEREFORE for good and valuable consideration, the nature, receipt and sufficiency of which is mutually acknowledged, the Parties agree as follows:

ARTICLE 1 DEFINITIONS AND INTERPRETATION

1.1 Definitions: In this Agreement and in the Schedules attached hereto:

“Agreement” means this agreement and all amendments and modifications hereto, and all Schedules hereto, which are incorporated herein by this reference;

“Effective Date” means the date first set forth above;

“Management Services” has the meaning ascribed to such term in paragraph 3.2 below;

“LIM’s Business” means the business of developing and commercially exploiting iron ore resources located in northeastern Québec and western Labrador, Canada near the town of Schefferville, Québec

“Party” means LIM or LIMH and **“Parties”** means all, including in both cases their respective successors and permitted assigns;

1.2 Currency and Dates: Except where otherwise specifically indicated, all amounts of money referred to in this Agreement are expressed in Canadian dollars. All days referred to in this Agreement shall indicate a calendar day. If the end date of delay falls on a

Saturday, Sunday or a public holiday in the City of Toronto, Province of Ontario, such end date shall be extended to the following business day.

ARTICLE 2 MANAGEMENT SERVICES

2.1 Engagement: LIM hereby engages LIMH to provide Management Services (as defined below) commencing as of the Effective Date in respect of the operation and development of LIM's Business upon the terms and conditions contained in this Agreement.

2.2 Management Services: For the purposes of this Agreement, "Management Services" means all necessary services, personnel and infrastructure as LIM may require in connection with LIM's Business including, but not limited to, the following:

- a) executive and corporate services including strategic planning, capital projects and operational oversight, capital projects and operational budget development and oversight, regulatory compliance and corporate finance activities;
- b) technical services including geological assessment, surveying, geotechnical engineering, mineral resource and reserve estimation, metallurgical test work, engineering design and implementation, mine planning, preparation and/or coordination of technical reports and technical/economic studies, transportation, product marketing including product testing and technical operations oversight;
- c) environmental services including development and implementation of an environmental management system, including routine sampling required under regulatory approvals and monitoring of regulatory requirements, completion of environmental assessments, environmental impact statements, closure and reclamation plans and interactions with regulatory agencies in the acquisition and maintenance of regulatory approvals;
- d) financial and accounting services including financial reporting and controls, bookkeeping, accounts payable and receivable and banking; and
- e) corporate office infrastructure including head office premises and equipment;

2.3 Appointment of Officers of LIM: LIM agrees upon the request of LIMH to appoint such of the personnel provided to LIM hereunder as directors and or executive officers of LIM as the Parties deem necessary or advisable to provide such persons with the corporate and executive authority necessary for the efficient provision of the Management Services.

2.4 Operational Reports:

LIMH shall provide periodic reports to the board of directors of LIM concerning the delivery of Management Services hereunder including:

- a) quarterly operational and financial reports;
- b) annual budgets and strategic plans;
- c) annual and quarterly financial reports as LIM may require for regulatory compliance purposes; and
- d) such other reports as the board of directors of LIM may reasonably require.

2.5 Consultation with Operator LIMH shall, when requested, consult with the board of directors of LIM on all matters concerning the provision of Management Services hereunder including, but not limited to, the compensation and performance of any personnel provided to LIM hereunder, reporting protocols and long term strategic planning, financing and budgeting.

ARTICLE 3 MANAGEMENT COMPENSATION

3.1 Management Fees: In consideration for the provision of the Management Services provided by LIMH hereunder, LIM shall pay a fee (the "Management Fee") equal to the actual direct cost to LIMH of providing the Management Services plus all applicable sales or goods and services taxes. In the event that the services, facilities, personnel and infrastructure provided to LIM are also utilized by other parties including LIMH, LIMH in consultation with the board of directors of LIM shall make such allocation of costs to Management Services as the Parties determine to be reasonable.

3.2 Invoicing and Payment LIMH shall

- a) prior to the recommencement of mining operations by LIM, provide LIM with quarterly invoices setting out the Management Services provided during such quarter and a calculation of the applicable Management Fee.
- b) following the recommencement of mining operations by LIM s, provide LIM with detailed, monthly invoices setting out the Management Services provided during such month and a calculation of the applicable Management Fee, which invoices shall be due on receipt and any amounts remaining unpaid for more than 30 days shall bear interest at the prime rate of interest charged by the Toronto Dominion Bank in Toronto to its most creditworthy customers.

3.3 Books and Records LIMH shall keep true, complete and accurate books and records of all of the Management Services provided hereunder, prepared in accordance with Generally Accepted Accounting Principles in Canada applicable to publicly accountable enterprises, consistently applied.

3.4 Audit Rights Subject to complying with the confidentiality provisions of this Agreement, the board of directors of Operator and/or its authorized representatives shall be entitled, upon delivery of thirty (30) business days advance notice, and during the normal business hours of LIMH, to perform or to cause to be performed by a certified or chartered accountant and/or mining industry advisor, audits or other reviews and examinations of LIMH's books and records relevant to the provision of Management Services hereunder at least once and no more than twice per calendar year to confirm compliance with the terms of this Agreement. LIM shall diligently complete any audit or other examination permitted hereunder. All expenses of any audit or other examination permitted hereunder shall be paid by LIM, unless the results of such audit or other examination permitted hereunder disclose a discrepancy in respect of any invoices delivered to LIM hereunder in respect of the period being audited or examined in an amount greater than 5% of the amount properly chargeable with respect to such period, in which event all expenses of such audit or other examination shall be paid by LIMH.

ARTICLE 4 TERM AND TERMINATION

4.1 Term The engagement of LIMH hereunder shall be for a term ending March 31, 2018 (unless terminated sooner in accordance with sections 4.2 or 4.3 below) and shall automatically be renewed for a further one year term or terms (each a "renewal term") unless either LIM or LIMH gives written notice of non-renewal not less than three months prior to the end of the term or any renewal term.

4.2 Termination by LIMH This Agreement may be terminated by LIMH by written notice to LIM in accordance with Section 7.2 hereof upon the occurrence and, if applicable, continuation of any of the following events:

- a) LIM ceases to carry on LIM's Business;
- b) failure by LIM to pay any invoice for the Management Fee within 30 days following notice of non-payment having been given by LIMH to LIM in accordance with subsection 7.2 hereof;
- c) failure by LIM to comply in all material respects with, or default by any of LIM in the performance or observance of, any material term, condition, covenant or agreement set forth in this Agreement, which is not cured within five business days after the receipt of written notice of such failure or default;
- d) LIM

- i. becomes bankrupt, insolvent or otherwise unable to pay its liabilities as and when the same shall become due; or
 - ii. commences proceedings under any applicable legislation for the relief of insolvent debtors; and
- e) LIMH, acting reasonably, determines that an event referred to in subsection 4.2 (d) is reasonably imminent or threatened.

4.3 Termination by LIM This Agreement may be terminated by LIM by written notice to LIMH in accordance with Section 7.2 hereof upon the occurrence and, if applicable, continuation of any of the following events:

- a) failure by LIMH in any material respect to provide the Management Services in accordance with good business and mining practice or to comply in all material respects with any material term, condition, covenant or agreement set forth in this Agreement, which is not cured within five business days after the receipt of written notice of such failure or default;
- b) LIMH
 - i. becomes bankrupt, insolvent or otherwise unable to pay its liabilities as and when the same shall become due; or
 - ii. commences proceedings under any applicable legislation for the relief of insolvent debtors; and
- c) LIM, acting reasonably, determines that an event referred to in subsection 4.3 (b) is reasonably imminent or threatened.

4.4 Termination by Mutual Agreement Notwithstanding the foregoing, this Agreement and the obligations of all Parties hereunder may be terminated at any time by written agreement of the Parties.

4.5 Effect of Termination Upon termination of this Agreement under this Article 4, this Agreement shall be of no further force and effect and each Party hereto shall be released from its commitments, undertakings, and agreements under or related to this Agreement excepting only that the confidentiality obligations of the Parties under Article 7 hereof shall continue in full force and effect.

ARTICLE 5 ARBITRATION

5.1 Any matter in this Agreement in dispute between the Parties which has not been resolved by the Parties within thirty (30) days of the delivery of notice by either party of

such dispute may be referred to binding arbitration. Such referral to binding arbitration shall be to a single qualified arbitrator. The *Arbitration Act*, 1991 (Ontario) (as the same may be amended from time to time) (the “*Act*”) shall govern such arbitration proceedings in accordance with its terms. The Parties shall select one qualified arbitrator by mutual agreement, failing which, such qualified arbitrator shall be determined in accordance with the provisions of the Act for selecting a single arbitrator. The determination of such qualified arbitrator shall be final and binding upon the Parties hereto and the costs of such arbitration shall be as determined by the arbitrator. The Parties covenant that they shall conduct all aspects of such arbitration having regard at all times to expediting the final resolution of such arbitration. The term “qualified arbitrator” as used herein shall refer to qualified professional person who has at least ten years of mining industry experience in the subject matter of the dispute and is independent of both Parties.

ARTICLE 6 CONFIDENTIALITY

6.1 Disclosure of Confidential Information It is acknowledged and agreed by the Parties that each of the Parties (in this Article 6, the “**Disclosing Party**”) will disclose to the other Party (in this Article 6, the “**Receiving Party**”) certain confidential, technical and business information relating to the business and affairs of the Disclosing Party in the course of providing the Management Services.

6.2 Confidential Information In this Article 6, “**Confidential Information**” shall include any information of, or relating to the Disclosing Party that is disclosed to, or received by, the Receiving Party, either directly or indirectly, in writing, electronic form, orally, or by inspection of tangible objects, including, but not limited to, documents, maps, plans samples, drill logs, assay data, business plans, financial statements, financial and technical analyses, contact names, contact lists, technical and research data, inventions, processes, designs, drawings, engineering or hardware configuration information, hardware and software architectures, source code, object code and the Disclosing Party’s strategic directions. Confidential Information shall not, however, include any information which the Receiving Party can establish:

- i. was publicly known and made generally available in the public domain prior to the time of disclosure to the Receiving Party by the Disclosing Party;
- ii. became publicly known and made generally available after disclosure to the Receiving Party by the Disclosing Party through no breach of this Agreement by the Receiving Party; or
- iii. is lawfully in the possession of the Receiving Party, without an obligation of confidentiality or other restriction, at the time of disclosure.

6.3 Non-Use and Non-Disclosure The Receiving Party acknowledges that the Disclosing Party has and shall continue to have all right, title and interest in and to the Confidential Information. The Receiving Party agrees not to use the Confidential Information for any purpose except in connection with or as required for the provision of Management Services hereunder and to use the same degree of care as it uses to protect its own confidential information.

6.4 Exception Nothing herein contained shall prevent the Receiving Party from disclosing Confidential Information if required by an order of court of competent jurisdiction or by the requirements of applicable laws or any regulatory authority having jurisdiction over the Receiving Party provided the Receiving Party agrees that in the event any such disclosure is required it will provide the Disclosing Party, if legally permissible, with as much advance notice of such imminent disclosure as is reasonably practicable

6.5 Termination Upon the earlier of: (i) a request made by the Disclosing Party; (ii) the termination of this Agreement, the Receiving Party shall return forthwith to the Disclosing Party, or as directed by it, all Confidential Information, and destroy forthwith any and all copies, including electronic copies, of the Confidential Information and any reports or data based thereon whether made by the Receiving Party or any other party and confirm to the Disclosing Party that this provision has been complied with.

6.6 Remedies The Receiving Party acknowledges that a breach of this Agreement will give rise to irreparable harm for which there may be no adequate remedy at law. Accordingly, the Disclosing Party may seek and obtain injunctive relief against the Receiving Party to restrain the breach or threatened breach of the foregoing provisions, in addition to any other legal remedies which may be available, and the Receiving Party hereby further agrees not to contest any such injunction and releases the Disclosing Party from the requirement to post a bond or other security in connection with same to the extent permitted by law, and to the extent permitted by law, the Receiving Party hereby stipulates and agrees to the entry of an *ex parte* injunction. The Receiving Party further acknowledges and agrees that the covenants contained herein are necessary for the protection of the Disclosing Party and are reasonable in scope and content.

ARTICLE 7 GENERAL

7.1 Entire Agreement: This Agreement and the documents to be executed hereunder constitute the entire agreement between the Parties pertaining to the subject matter hereof and supersede all prior agreements, understandings, negotiations and discussions, whether oral or written, of the Parties pertaining to the subject matter hereof.

7.2 Notices: Any notice required to be given or delivery of documents required to be made under this Agreement shall be in writing and shall be deemed to be well and

sufficiently given if delivered, or if mailed, by registered mail, or sent by facsimile, email or any other electronic means, to the Parties at their addresses as follows:

If to LIM, at:

Labrador Iron Mines
Suite 1805, 55 University Avenue
Toronto, ON M5J 2H7

Attention: John Kearney, Chairman
Email: kearney.j@labradorironmines.ca
Facsimile: 416-368-5344

If to LIMH, at

Labrador Iron Mines Holdings Limited
c/o Suite 1805, 55 University Avenue
Toronto, ON M5J 2H7

Attention: John Kearney, Chairman
Email: kearney.j@labradorironmines.ca
Facsimile: 416-368-5344

Any notice given as provided in this Section shall be deemed to have been given, if delivered, when delivered; or if sent by facsimile, email or any other electronic means, on the first business day after the date of transmission; or, if mailed, on the third business day after the date of mailing provided that if, between the time of mailing and the actual or deemed receipt of the notice there be a mail strike, slowdown or other labour dispute which might affect the delivery of such notice, then such notice shall only be effective if actually delivered.

7.3 Applicable Law: This Agreement shall be construed in accordance with the laws of the Province of Ontario.

7.4 Successors and Assigns: This Agreement shall inure to the benefit of and be binding upon the Parties hereto, their respective successors and permitted assigns.

7.5 Severability: If any provisions of this Agreement shall be held to be invalid or unenforceable, such invalidity or unenforceability shall attach only to such provisions and shall not in any manner affect or render invalid or unenforceable any other provision of this Agreement.

7.6 Execution in Counterparts: This Agreement may be executed in several counterparts, each of which when so executed shall be deemed to be an original, and such

counterparts thereof together shall comprise one and the same instrument and, notwithstanding their date of execution, shall be deemed to bear the date first set forth above.

IN WITNESS WHEREOF the Parties hereto have caused this Agreement to be duly executed by their authorized signatories hereunto duly authorized all as of the day and year first above written.

LABRADOR IRON MINES LIMITED

By: _____
Name:
Title:

LABRADOR IRON MINES HOLDINGS LIMITED

By: _____
Name:
Title:

**SCHEDULE G
ROYALTYCO MANAGEMENT SERVICES AGREEMENT**

ATTACHED

MANAGEMENT SERVICES AGREEMENT

THIS MANAGEMENT SERVICES AGREEMENT effective as of [], 2016.

BETWEEN:

HOUSTON IRON ROYALTIES LIMITED

A corporation incorporated under the laws of the Province of Ontario,
Canada

(Hereinafter referred to as "HIRL")

- and -

LABRADOR IRON MINES LIMITED,

A corporation incorporated under the laws of the Province of Ontario,
Canada

(Hereinafter referred to as "LIM")

All of which are collectively hereinafter referred to as the "Parties".

WITNESSETH

WHEREAS, LIM together with its Parent corporation, Labrador Iron Mines Holdings Limited ("LIMH") and its subsidiary, Schefferville Mines Inc. ("SMI") commenced proceedings under the *Companies' Creditors Arrangement Act*, RSC1985, c.C-36 (the "CCAA Proceedings") to restructure their business and affairs and to seek acceptance of a plan of compromise and arrangement of their liabilities (the "CCAA Plan") pursuant to an initial order dated April 2, 2015 of the Ontario Superior Court of Justice (Commercial List) (the "Court") as amended (LIM together with LIMH and SMI are collectively referred to in these recitals as the "Applicants"); and

WHEREAS the CCAA Plan was approved by the creditors of the Applicants on ●, 2016 and sanctioned by the Court on ●, 2016; and

WHEREAS the CCAA Plan provides, among other things, that upon implementation of the CCAA Plan

- a) Creditors with proven claims against LIM and SMI shall receive and hold, among other things, 100% of the issued common shares of HIRL; and
- b) HIRL shall enter into agreements (the "Royalty Agreements") dated as of the Effective Date (as hereinafter defined) whereby HIRL will be granted the right to receive royalties (the "Royalty") from LIM and SMI equal to two percent (2.0%)

of “Gross Revenue”, as defined in the Royalty Agreements, (FOB Port of Sept-Îles) received from the sale of iron ore from LIM’s and SMI’s Houston-Malcolm Property (as defined in the Royalty Agreements); and

- c) LIM shall provide to HIRL all necessary management services, office infrastructure and personnel for the continued operation of HIRL’s business; and

WHEREAS the Parties have entered into this Agreement to establish the terms and conditions of the delivery of such services as a condition precedent to the implementation of the CCAA Plan;

NOW THEREFORE for good and valuable consideration, the nature, receipt and sufficiency of which is mutually acknowledged, the Parties agree as follows:

ARTICLE 1 DEFINITIONS AND INTERPRETATION

1.1 Definitions: In this Agreement and in the Schedules attached hereto:

“**Agreement**” means this agreement and all amendments and modifications hereto, and all Schedules hereto, which are incorporated herein by this reference;

“**Effective Date**” means the date first set forth above;

“**Management Services**” has the meaning ascribed to such term in paragraph 3.2 below;

“**HIRL’s Business**” means the business of holding the Royalty, receiving any payments in respect of the Royalty and, where authorized by the board of directors of HIRL, paying dividends to the shareholders of HIRL;

“**Party**” means LIM or HIRL and “**Parties**” means all, including in both cases their respective successors and permitted assigns;

“**Royalty**” has the meaning set out in subparagraph b) of the third recital to this Agreement; and

“**Royalty Agreements**” has the meaning set out in subparagraph b) of the third recital to this Agreement.

1.2 Currency and Dates: Except where otherwise specifically indicated, all amounts of money referred to in this Agreement are expressed in Canadian dollars. All days referred to in this Agreement shall indicate a calendar day. If the end date of delay falls on a Saturday, Sunday or a public holiday in the City of Toronto, Province of Ontario, such end date shall be extended to the following business day.

ARTICLE 2
MANAGEMENT SERVICES

2.1 Engagement: HIRL hereby engages LIM to provide Management Services (as defined below) commencing as of the Effective Date in respect of the operation of HIRL's Business upon the terms and conditions contained in this Agreement.

2.2 Management Services: For the purposes of this Agreement, "Management Services" means all necessary services, personnel and infrastructure as HIRL may require in connection with HIRL's Business including, but not limited to, the following:

- a) financial and accounting services and personnel including financial reporting and controls, bookkeeping, accounts payable and receivable, all necessary tax record keeping and reporting and banking;
- b) administration services and personnel including human resources management and record keeping and regulatory reporting;
- c) corporate office infrastructure including head office premises and equipment; and
- d) such other services as the board of directors of HIRL may request and LIM may agree to provide, both acting reasonably.

2.3 Appointment of Officers of HIRL: HIRL agrees upon the request of LIM to appoint such of the personnel provided to HIRL hereunder as directors and or executive officers of HIRL as the Parties deem necessary or advisable to provide such persons with the corporate and executive authority necessary for the efficient provision of the Management Services.

2.4 Operational Reports:

LIM shall provide periodic reports to the board of directors of HIRL concerning the delivery of Management Services hereunder including:

- a) quarterly operational and financial reports;
- b) annual and quarterly financial reports as HIRL may require for regulatory compliance purposes; and
- c) such other reports as the board of directors of HIRL may reasonably require.

2.5 Consultation with HIRL LIM shall, when requested, consult with the board of directors of HIRL on all matters concerning the provision of Management Services hereunder including, but not limited to, the compensation and performance of any

personnel provided to HIRL hereunder, reporting protocols and long term strategic planning, financing and budgeting.

ARTICLE 3

MANAGEMENT COMPENSATION

3.1 Management Fees: In consideration for the provision of the Management Services provided by LIM hereunder, HIRL shall pay a fee (the “**Management Fee**”) equal to the actual direct cost to LIM of providing the Management Services plus all applicable sales or goods and services taxes. In the event that the services, facilities, personnel and infrastructure provided to HIRL are also utilized by other parties including LIM, LIM in consultation with the board of directors of HIRL shall make such allocation of costs to Management Services as the Parties determine to be reasonable.

3.2 Invoicing and Payment LIM shall

- a) prior to the commencement of payment of the Royalty, provide HIRL with quarterly invoices setting out the Management Services provided during such month and a calculation of the applicable Management Fee.
- b) following the commencement of payment of the Royalty, provide HIRL with detailed, quarterly invoices setting out the Management Services provided during such quarter and a calculation of the applicable Management Fee, which invoices shall be due on receipt and any amounts remaining unpaid for more than 30 days shall bear interest at the prime rate of interest charged by the Toronto Dominion Bank in Toronto to its most creditworthy customers.

3.3 Books and Records LIM shall keep true, complete and accurate books and records of all of the Management Services provided hereunder, prepared in accordance with Generally Accepted Accounting Principles in Canada applicable to publicly accountable enterprises, consistently applied.

3.4 Audit Rights Subject to complying with the confidentiality provisions of this Agreement, the board of directors of Operator and/or its authorized representatives shall be entitled, upon delivery of thirty (30) business days advance notice, and during the normal business hours of LIM, to perform or to cause to be performed by a certified or chartered accountant and/or mining industry advisor, audits or other reviews and examinations of LIM’s books and records relevant to the provision of Management Services hereunder at least once and no more than twice per calendar year to confirm compliance with the terms of this Agreement. HIRL shall diligently complete any audit or other examination permitted hereunder. All expenses of any audit or other examination permitted hereunder shall be paid by HIRL, unless the results of such audit or other examination permitted hereunder disclose a discrepancy in respect of any invoices delivered to HIRL hereunder in respect of the period being audited or examined in an amount greater than 5% of the amount properly chargeable with respect to such period, in which event all expenses of such audit or other examination shall be paid by LIM.

ARTICLE 4
TERM AND TERMINATION

4.1 Term The engagement of LIM hereunder shall be for a term ending March 31, 2018 (unless terminated sooner in accordance with sections 4.2 or 4.3 below) and shall automatically be renewed for a further one year term or terms (each a "renewal term") unless either HIRL or LIM gives written notice of non-renewal not less than three months prior to the end of the term or any renewal term.

4.2 Termination by LIM This Agreement may be terminated by LIM by written notice to HIRL in accordance with Section 7.2 hereof upon the occurrence and, if applicable, continuation of any of the following events:

- a) HIRL ceases to carry on HIRL's Business;
- b) failure by HIRL to pay any invoice for the Management Fee within 30 days following notice of non-payment having been given by LIM to HIRL in accordance with subsection 7.2 hereof;
- c) failure by HIRL to comply in all material respects with, or default by any of HIRL in the performance or observance of, any material term, condition, covenant or agreement set forth in this Agreement, which is not cured within five business days after the receipt of written notice of such failure or default;
- d) HIRL
 - i. becomes bankrupt, insolvent or otherwise unable to pay its liabilities as and when the same shall become due; or
 - ii. commences proceedings under any applicable legislation for the relief of insolvent debtors; and
- e) LIM, acting reasonably, determines that an event referred to in subsection 4.2(d) is reasonably imminent or threatened.

4.3 Termination by HIRL This Agreement may be terminated by HIRL by written notice to LIM in accordance with Section 7.2 hereof upon the occurrence and, if applicable, continuation of any of the following events:

- a) failure by LIM in any material respect to provide the Management Services in accordance with good business and mining practice or to comply in all material respects with any material term, condition, covenant or agreement set forth in this Agreement, which is not cured within five business days after the receipt of written notice of such failure or default;
- b) LIM
 - i. becomes bankrupt, insolvent or otherwise unable to pay its liabilities as and when the same shall become due; or

- ii. commences proceedings under any applicable legislation for the relief of insolvent debtors; and
- c) HIRL, acting reasonably, determines that an event referred to in subsection 4.3(b) is reasonably imminent or threatened.

4.4 Termination by Mutual Agreement Notwithstanding the foregoing, this Agreement and the obligations of all Parties hereunder may be terminated at any time by written agreement of the Parties.

4.5 Effect of Termination Upon termination of this Agreement under this Article 5, this Agreement shall be of no further force and effect and each Party hereto shall be released from its commitments, undertakings, and agreements under or related to this Agreement excepting only that the confidentiality obligations of the Parties under Article 6 hereof shall continue in full force and effect.

ARTICLE 5 ARBITRATION

5.1 Any matter in this Agreement in dispute between the Parties which has not been resolved by the Parties within thirty (30) days of the delivery of notice by either party of such dispute may be referred to binding arbitration. Such referral to binding arbitration shall be to a single qualified arbitrator. The *Arbitration Act*, 1991 (Ontario) (as the same may be amended from time to time) (the “*Act*”) shall govern such arbitration proceedings in accordance with its terms. The Parties shall select one qualified arbitrator by mutual agreement, failing which, such qualified arbitrator shall be determined in accordance with the provisions of the Act for selecting a single arbitrator. The determination of such qualified arbitrator shall be final and binding upon the Parties hereto and the costs of such arbitration shall be as determined by the arbitrator. The Parties covenant that they shall conduct all aspects of such arbitration having regard at all times to expediting the final resolution of such arbitration. The term “qualified arbitrator” as used herein shall refer to qualified professional person who has at least ten years of mining industry experience in the subject matter of the dispute and is independent of both Parties.

ARTICLE 6 CONFIDENTIALITY

6.1 Disclosure of Confidential Information It is acknowledged and agreed by the Parties that each of the Parties (in this Article 6, the “**Disclosing Party**”) will disclose to the other Party (in this Article 6, the “**Receiving Party**”) certain confidential, technical and business information relating to the business and affairs of the Disclosing Party in the course of providing the Management Services.

6.2 Confidential Information In this Article 6, “**Confidential Information**” shall include any information of, or relating to the Disclosing Party that is disclosed to, or received by, the Receiving Party, either directly or indirectly, in writing, electronic form,

orally, or by inspection of tangible objects, including, but not limited to, documents, maps, plans samples, drill logs, assay data, business plans, financial statements, financial and technical analyses, contact names, contact lists, technical and research data, inventions, processes, designs, drawings, engineering or hardware configuration information, hardware and software architectures, source code, object code and the Disclosing Party's strategic directions. Confidential Information shall not, however, include any information which the Receiving Party can establish:

- i. was publicly known and made generally available in the public domain prior to the time of disclosure to the Receiving Party by the Disclosing Party;
- ii. became publicly known and made generally available after disclosure to the Receiving Party by the Disclosing Party through no breach of this Agreement by the Receiving Party; or
- iii. is lawfully in the possession of the Receiving Party, without an obligation of confidentiality or other restriction, at the time of disclosure.

6.3 Non-Use and Non-Disclosure The Receiving Party acknowledges that the Disclosing Party has and shall continue to have all right, title and interest in and to the Confidential Information. The Receiving Party agrees not to use the Confidential Information for any purpose except in connection with or as required for the provision of Management Services hereunder and to use the same degree of care as it uses to protect its own confidential information.

6.4 Exception Nothing herein contained shall prevent the Receiving Party from disclosing Confidential Information if required by an order of court of competent jurisdiction or by the requirements of applicable laws or any regulatory authority having jurisdiction over the Receiving Party provided the Receiving Party agrees that in the event any such disclosure is required it will provide the Disclosing Party, if legally permissible, with as much advance notice of such imminent disclosure as is reasonably practicable

6.5 Termination Upon the earlier of: (i) a request made by the Disclosing Party; (ii) the termination of this Agreement, the Receiving Party shall return forthwith to the Disclosing Party, or as directed by it, all Confidential Information, and destroy forthwith any and all copies, including electronic copies, of the Confidential Information and any reports or data based thereon whether made by the Receiving Party or any other party and confirm to the Disclosing Party that this provision has been complied with.

6.6 Remedies The Receiving Party acknowledges that a breach of this Agreement will give rise to irreparable harm for which there may be no adequate remedy at law. Accordingly, the Disclosing Party may seek and obtain injunctive relief against the Receiving Party to restrain the breach or threatened breach of the foregoing provisions, in addition to any other legal remedies which may be available, and the Receiving Party

hereby further agrees not to contest any such injunction and releases the Disclosing Party from the requirement to post a bond or other security in connection with same to the extent permitted by law, and to the extent permitted by law, the Receiving Party hereby stipulates and agrees to the entry of an *ex parte* injunction. The Receiving Party further acknowledges and agrees that the covenants contained herein are necessary for the protection of the Disclosing Party and are reasonable in scope and content.

ARTICLE 7 GENERAL

7.1 Entire Agreement: This Agreement and the documents to be executed hereunder constitute the entire agreement between the Parties pertaining to the subject matter hereof and supersede all prior agreements, understandings, negotiations and discussions, whether oral or written, of the Parties pertaining to the subject matter hereof.

7.2 Notices: Any notice required to be given or delivery of documents required to be made under this Agreement shall be in writing and shall be deemed to be well and sufficiently given if delivered, or if mailed, by registered mail, or sent by facsimile, email or any other electronic means, to the Parties at their addresses as follows:

If to HIRL, at:

Houston Iron Royalties Limited
Suite 1805, 55 University Avenue
Toronto, ON M5J 2H7

Attention: John Kearney, Chairman
Email: kearney.j@labradorironmines.ca
Facsimile: 416-368-5344

If to LIM, at

Labrador Iron Mines Holdings Limited
c/o Suite 1805, 55 University Avenue
Toronto, ON M5J 2H7

Attention: John Kearney, Chairman
Email: kearney.j@labradorironmines.ca
Facsimile: 416-368-5344

Any notice given as provided in this Section shall be deemed to have been given, if delivered, when delivered; or if sent by facsimile, email or any other electronic means, on the first business day after the date of transmission; or, if mailed, on the third business day after the date of mailing provided that if, between the time of mailing and the actual or deemed receipt of the notice there be a mail strike, slowdown or other labour dispute which might affect the delivery of such notice, then such notice shall only be effective if actually delivered.

7.3 Further Acts: The Parties agree to do or cause to be done all acts or things reasonably necessary to implement and carry into effect this Agreement to the full extent.

7.4 Applicable Law: This Agreement shall be construed in accordance with the laws of the Province of Ontario.

7.5 Successors and Assigns: This Agreement shall inure to the benefit of and be binding upon the Parties hereto, their respective successors and permitted assigns.

7.6 Severability: If any provisions of this Agreement shall be held to be invalid or unenforceable, such invalidity or unenforceability shall attach only to such provisions and shall not in any manner affect or render invalid or unenforceable any other provision of this Agreement.

7.7 Execution in Counterparts: This Agreement may be executed in several counterparts, each of which when so executed shall be deemed to be an original, and such counterparts thereof together shall comprise one and the same instrument and, notwithstanding their date of execution, shall be deemed to bear the date first set forth above.

IN WITNESS WHEREOF the Parties hereto have caused this Agreement to be duly executed by their authorized signatories hereunto duly authorized all as of the day and year first above written.

HOUSTON IRON ROYALTIES LIMITED

By: _____
Name:
Title:

LABRADOR IRON MINES HOLDINGS LIMITED

By: _____
Name:
Title:

SCHEDULE "B"

Monitor's Plan Implementation Date Certificate

Court File No. CV-15-10926-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

IN THE MATTER OF THE *COMPANIES' CREDITORS
ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT
OF LABRADOR IRON MINES HOLDINGS LIMITED, LABRADOR IRON MINES
LIMITED and SCHEFFERVILLE MINES INC. (the "Applicants")

Applicants

CERTIFICATE OF THE COURT-APPOINTED MONITOR

(Plan Implementation)

All capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Plan of Compromise and Arrangement of Labrador Iron Mines Holdings Limited, Labrador Iron Mines Limited and Schefferville Mines Inc. (collectively, the "**Applicants**") dated December 6, 2016 (as it may be amended, modified or supplemented in accordance with its terms, the "**Plan**"), which is attached as Schedule "A" to the Plan Sanction Order of the Honourable ● made in these proceedings on December 14, 2016 (the "**Plan Sanction Order**").

Pursuant to Section 7.8 of the Plan and paragraph 9 of the Sanction Order, KSV Kofman Inc. in its capacity as the Court-appointed monitor of the Applicants (the "**Monitor**") delivers this certificate to counsel to the Applicants (on behalf of the Applicants) and hereby certifies that:

1. The Monitor has received written confirmation from the Applicants that the conditions precedent set out in Section 7.6 of the Plan have been satisfied or waived, as applicable.
2. Pursuant to the terms of the Plan, the Plan Implementation Date has occurred.
3. The Plan is effective in accordance with its terms and the terms of the Plan Sanction Order.
4. This Certificate will be filed with the Court.
5. Effective upon the delivery of this Certificate pursuant to the Plan Sanction Order the Stay Period and the CCAA Proceedings shall be terminated.

DATED at the City of Toronto, in the Province of Ontario, this ____ day of _____, 2016.

KSV KOFMAN INC., in its capacity as Court-appointed Monitor of the Applicants

By:

Name:

Title:

Court File No. CV-15-10926-00CL
IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT, R.S.C. 1985, c. C-36, AS AMENDED
AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF LABRADOR IRON MINES HOLDINGS LIMITED, LABRADOR
IRON MINES LIMITED and SCHEFFERVILLE MINES INC.

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

PROCEEDING COMMENCED AT
TORONTO

PLAN SANCTION ORDER

PALIARE ROLAND ROSENBERG ROTHSTEIN LLP
Barristers
155 Wellington St. W., 35th floor
Toronto ON M5V 3H1
Tel: 416.646.4300
Fax: 416.646.4301

Kenneth T. Rosenberg (LSUC #21102H)
Tel: 416.646.4304
Email: ken.rosenberg@paliareroland.com

Massimo Starnino (LSUC #41048G)
Tel: 416.646.7431
Email: max.starnino@paliareroland.com

Lindsay Scott (LSUC #60275G)
Tel: 416.646.7442
Email: lindsay.scott@paliareroland.com

Lawyers for the Applicants

