

**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")**

**MOTION RECORD OF THE APPLICANTS
(Motion re: Stay Extension - Returnable June 30, 2016)**

June 23, 2016

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TO: THE SERVICE LIST

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Tab 1

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NOTICE OF MOTION

The Applicants will make a motion to a judge of the Commercial List, on Thursday, June 30, 2016 at 10:00 a.m. or as soon after that time as the motion can heard at the court house, 330 University Avenue, 8th Floor, Toronto, Ontario, M5G 1R7.

PROPOSED METHOD OF HEARING: The Motion will be heard orally.

THE MOTION IS FOR:

1. An Order substantially in the form attached hereto as Schedule "A":
 - a. abridging the time for service of the Notice of Motion and Motion Record, if necessary, and validating service thereof;
 - b. extending the Stay Period (as defined in paragraph 15 of the Initial Order of the Honourable Mr. Justice Morawetz dated April 2, 2015) up to and including September 30, 2016; and
 - c. such further and other relief as this Honourable Court may deem just.

THE GROUNDS FOR THE MOTION ARE:

1. The Applicants were granted protection from their creditors under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended ("CCAA"), and Duff & Phelps Canada Restructuring Inc. was appointed as Monitor of the Applicants, pursuant to an Initial Order of the Ontario Superior Court of Justice dated April 2, 2015.
2. On June 30, 2015, Duff & Phelps Canada Restructuring Inc. ("D&P") was acquired by KSV Kofman Inc. ("KSV"). Pursuant to an Order of the Court made on July 10, 2015, the name of the firm performing D&P's ongoing mandates was changed to KSV, including acting as Monitor in these proceedings. The licensed trustees/restructuring professionals overseeing this mandate prior to June 30, 2015 remain unchanged.
3. The Applicants have acted, and continue to act, in good faith and with due diligence in pursuing the restructuring.
4. On April 30, 2015, Justice Conway granted an extension of the Stay Period up to and including July 31, 2015.
5. On July 27, 2015, Justice Hainey granted an extension of the Stay Period up to and including December 18, 2015.
6. On December 16, 2016, Justice Penny granted an extension of the Stay Period up to and including June 30, 2016.
7. A further extension of the Stay Period up to and including September 30, 2016 is required to provide time to effect a restructuring.

8. The Applicants are not aware of any stakeholders that would suffer any material prejudice if the Stay Period is extended as requested.
9. The Monitor is supportive of the extension of the Stay Period.
10. Sections 11 and 11.02 of the CCAA and the inherent and equitable jurisdiction of this court.
11. Rules 1.04, 1.05, 2.01, 2.03, 3.02, 16 and 37 of the *Rules of Civil Procedure*, R.R.O. 1990, Reg. 194, as amended.
12. Such further and other grounds as counsel may advise and this Honourable Court may permit.

THE FOLLOWING DOCUMENTARY EVIDENCE will be used at the hearing of the motion:

1. The affidavit of Richard Pinkerton sworn June 23, 2016;
2. The factum filed in support of the motion returnable April 30, 2015;
3. The Monitor's Sixth Report; and
4. Such further and other material as counsel may advise and this Honourable Court permit.

June 23, 2016

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TORONTO

NOTICE OF MOTION

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TAB A

SCHEDULE "A": DRAFT ORDER

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

**ONTARIO
SUPERIOR COURT OF JUSTICE
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THE HONOURABLE)	MONDAY, THE 30 TH
)	
JUSTICE)	DAY OF JUNE, 2016

**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")**

ORDER

THIS MOTION, made by the Applicants, pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended, was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the affidavit of Richard Pinkerton, sworn June 23, 2016, the Monitor's Sixth Report dated June ♦, 2016 (the "**Monitor's Sixth Report**") and on hearing the submissions of counsel for the Applicants, counsel for the Monitor, and such other parties as were present, no one else appearing, although duly served as appears from the affidavit of service of Michelle Jackson, sworn June 23, 2016, filed:

SERVICE

1. THIS COURT ORDERS that the time for and manner of service of the Notice of Motion and the Motion Record is hereby abridged and validated so that this Motion is properly returnable today and the Court hereby dispenses with further service thereof.

2. THIS COURT ORDERS that terms not otherwise defined herein shall have the meanings accorded to them in the Initial Order made in these proceedings on April 2, 2015 (the "**Initial Order**").

STAY EXTENSION

3. THIS COURT ORDERS that the Stay Period be and is hereby extended until and including 11:59 p.m. on September 30, 2016.

APPROVAL OF MONITOR'S REPORT AND ACTIVITIES

4. THIS COURT ORDERS that the Monitor's Sixth Report and the activities of the Monitor described therein be and are hereby approved.
-

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ORDER

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**AFFIDAVIT OF RICHARD PINKERTON
(Sworn June 23, 2016)**

I, Richard Pinkerton, of the City of Toronto, in the Province of Ontario, Canada,
MAKE OATH AND SAY:

1. I am the Chief Financial Officer of each of the Applicants in this proceeding, and, as such, I have personal knowledge of the matters set out below except where otherwise stated. Where I do not have personal knowledge, I have stated the source of my information and I believe such information to be true.

2. I make this affidavit in support of the Applicants' motion for an order extending the stay of proceedings herein (the "**Stay Extension Order**") substantially in the form of the draft order appended as Schedule "A" to the Notice of Motion.

3. The Applicants were granted protection under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended ("**CCAA**") pursuant to an Initial Order of the Ontario Superior Court of Justice (the "**Court**") dated April 2, 2015 (the "**Initial Order**"). KSV Kofman Inc. is the monitor of the Applicants in the CCAA

proceedings (the “**Monitor**”). By virtue of an order of the Court granted December 16, 2015 (the “**Third Extension Order**”), the stay of proceedings in respect of the Applicants has been extended to June 30, 2016.

4. The Applicants’ ability to carry out their operations is dependent on the global price of iron ore. Since 2014, the price of iron ore has traded below levels that would allow the Applicants to generate profits. This issue, together with the cost of several of the Applicants’ contracts, were key contributors necessitating the commencement of these CCAA proceedings. The purpose of these proceedings has been to allow the Applicants time to address their operating costs and contracts and provide a stable platform, to the benefit of the Applicants and their stakeholders, for when the price of iron ore recovers.

5. The Applicants’ overall focus during these proceedings has been to conserve cash, engage with stakeholders, sell non-core assets on an orderly basis and consider restructuring options. More details regarding those activities are provided below.

Developments since the Third Extension Order

6. Since the making of the Third Extension Order, the Applicants have continued a number of initiatives to conserve cash resources, maintain their assets and business on a care and maintenance basis and comply with applicable environmental permits, monitoring obligations and health and safety regulations.

7. The Applicants are continuing to generate some revenue from their operational assets including, among other things, the continued provision of rail car repair and maintenance services at the Centre Ferro facility in Sept Îles and rail car rental arrangements generating sufficient revenue such that they are able to substantially cover the costs related to the facility.

8. The Applicants are continuing with the implementation of an orderly, managed process for the sale of non-essential assets to maximize proceeds generated by such sales and to use such proceeds to preserve the business and core assets in accordance with applicable regulatory requirements and the terms of the Initial Order. As part of this process, the Applicants obtained an informal appraisal for the equipment located at their Silver Yards plant and other non-core equipment from a leading equipment broker and listed same for sale with such broker. The Applicants have also obtained an appraisal for the real property owned by a subsidiary of the Applicants in Sept-Îles.

9. The Applicants have not undertaken any mining operations since December, 2013. Since that time, the Applicants have suspended their operations and exploration activities and undertaken cash conservation measures to preserve their remaining resources. The Applicants continue to make lease payments and other limited expenditures required to maintain their mineral claims in good standing.

10. The Applicants continue to operate with the minimum complement of essential personnel to preserve their assets and business on a care and maintenance basis.

11. Labrador Iron Mines Holdings Limited (“LIMH”) continues to be current with all regulatory filings to remain in full compliance with applicable securities law requirements. On February 26, 2016, LIMH filed its unaudited, interim consolidated financial statements for the three and nine month periods ended December 31, 2015 together with the required Management Discussion and Analysis with securities regulators. LIMH is preparing its audited consolidated financial statements for the financial year ended March 31, 2016, together with the required Management Discussion and Analysis for filing with securities regulators on or before July 29, 2016.

12. The Applicants have continued regular meetings and discussions with their significant creditors (including the two largest creditors, RBRG Trading (UK) Limited (formerly RB Metalloyd Ltd.) and Grey Rock Services Inc.), various local community leaders and other stakeholders. During such meetings and discussions, the Applicants continued to:

- (a) keep such parties informed of the Applicants’ current operational status and the progress and implications of these CCAA proceedings;
- (b) outline their goals and plans for the restructuring of their business, future operational financing requirements and the ultimate resumption of mining and shipping operations; and
- (c) discuss conceptual proposals for a restructuring of the Applicants, and develop a preliminary, draft plan of compromise or arrangement (“Plan”)

and negotiate support for same among the Applicants' larger stakeholders.

13. The Applicants have conducted negotiations with several of their major service providers with a view to securing agreements to suspend service contracts until the resumption of mining operations.

14. On April 19, 2016 Labrador Iron Mines Limited ("**LIM**") entered into a suspension agreement with its principal rail service provider which suspends the rail services agreement pending the resumption by the Applicants of iron ore mining and shipping operations. This agreement is conditional upon (i) any claims by the rail service provider being treated as an unaffected claim in any Plan presented in these proceedings, and (ii) a Plan being approved by the requisite majority of creditors (as provided in the CCAA) and sanctioned by the Court on or before October 31, 2016, or such other date as the parties may agree.

Claims Procedure

15. Pursuant to an order of the Court (the "**Claims Procedure Order**") dated April 18, 2016 the Applicants initiated a procedure (the "**Claims Procedure**") to enable the Applicants and the Monitor to identify claims that exist against the Applicants and their Directors and Officers in order to assess what impact such claims may have with respect to a restructuring of the Applicants.

16. The Claims Procedure provides a process for identifying and determining claims against the Applicants and their Directors and Officers for both voting and distribution purposes and sets out the following claims bar dates:

- (a) 5:00 p.m. on May 31, 2016 (the "**Claims Bar Date**") in respect of:
 - (i) any Notices of Dispute of Claim from any Scheduled Creditor that wished to dispute its Claim set out in the Notice of Claim delivered to it;
 - (ii) any Proofs of Claims from any Creditor that is not identified on the Claims Schedule (each an "**Unscheduled Creditor**") that wished to assert a Claim against any of the Applicants;
 - (iii) any Proofs of Claim from any Person that wished to assert a Claim against any of the Directors and Officers of any of the Applicants (a "**Director/Officer Claim**")
- (b) the later of (i) the Claims Bar Date, and (ii) 21 Calendar Days after the date of termination, repudiation or resiliation of the applicable agreement or other event giving rise to the applicable Restructuring Period Claim (the "**Restructuring Period Claims Bar Date**") with respect to any Proof of Claim from any Creditor that wishes to assert a Claim against the Applicants arising from the restructuring, disclaimer, resiliation, termination

or breach by the Applicants on or after the date of the Initial Order of any contract, lease or other agreement (a "**Restructuring Period Claim**")

17. Pursuant to the Claims Procedure Order:

- (a) if a Notice of Dispute is not received by the Monitor by the Claims Bar Date or such later date as the Monitor may permit in writing, the Scheduled Creditor is deemed to have accepted the determination of its Claim as set out in the Notice of Claim;
- (b) if a Proof of Claim is not submitted by:
 - (i) an Unscheduled Creditor with respect to a Claim against the Applicants, or in respect of a Director/Officer Claim, such that it is received by the Monitor prior to the Claims Bar Date or such later date as the Monitor may permit in writing; or
 - (ii) in respect of a Restructuring Period Claim, such that it is received by the Monitor prior to the Restructuring Period Claims Bar Date or such later date as the Monitor may permit in writing,

such Claim shall be extinguished and barred and no Person holding such Claim shall be entitled to vote on a Plan, or receive any distribution, with respect to such Claim.

18. Key elements of the Claims Procedure which have been completed include the following:

- (a) Preparation of a schedule (the “**Claims Schedule**”) listing all known secured and unsecured Creditors with Claims against one or more of the Applicants (each a “**Scheduled Creditor**”);
- (b) Publication by the Monitor of a Notice to Creditors in *The Globe & Mail* (National Edition; English) on April 22nd and 25th, *The Telegram* (St. John’s, NL; English) on April 22nd and 25th and *Le Journal Nord-Côtier* (Sept-Îles, Québec; French) on April 27th and May 4th, the latter two publications to reach English and French speaking stakeholders, respectively, of the Applicants who reside in the areas near the Applicants’ facilities and former operations;
- (c) Delivery by the Monitor within five business days of the date of the Claims Procedure Order, of a Claims Package to each Scheduled Creditor, at the address as shown on the Claims Schedule, specifying the Scheduled Creditor’s Claim against the Applicants for voting and distribution purposes as determined by the Applicants based on the books and records of the Applicants; and
- (d) Posting of the Claims Package on the Monitor’s website.

19. On or before the Claims Bar Date, the Applicants and the Monitor received and/or identified:

- (a) Claims from 90 Scheduled Creditors totalling \$63,225,733 plus an additional potential \$15,372,933 from 12 disputed Claims (of which 5 remain under review) for total claims of \$78,598,667;
- (b) Claims from 15 Unscheduled Creditors (not including intercompany claims) totalling \$14,767,786, which are under review; and
- (c) Intercompany claims by LIMH and LIM totalling \$292,676,729, principally in respect of the funds LIMH raised from capital markets and has advanced to LIM since its inception, which are under review.

20. No Claims were made against the Applicants' Directors and Officers.

21. The Applicants and the Monitor are in the process of reviewing and assessing the disputes received from Scheduled Creditors and the Proofs of Claim received from Unscheduled Creditors (including intercompany claims) and engaging with certain of them to resolve their respective claims.

Request for Extension of Stay Period to September 30, 2016

22. The Applicants require additional time to resolve disputed and unscheduled Claims and to develop a Plan to advance their restructuring based on such resolutions.

The Applicants are seeking an extension of the Stay Period to Friday, September 30, 2016. The Applicants believe that the length of the extension is necessary:

- (a) to complete the Claims Procedure, including to resolve disputed and unscheduled Claims;
- (b) to complete a reasonably detailed, multi-year business plan reflecting the orderly sale of non-essential assets and the cash flow and viability of the Applicants' business and core assets following the Applicants' exit from the CCAA proceedings;
- (c) to discuss such proposed Plan and business plan with the Applicants' major creditors and stakeholders with a view to receiving their input and, where possible, accommodating their concerns with the objective of securing their support for such plan;
- (d) to present a Plan for submission to Creditors and the Court; and
- (e) to develop and seek Court approval of the process for convening meetings of their Creditors to consider and, if deemed appropriate, approve a Plan.

23. The success of the Applicants' plan will be heavily influenced by developments in the world price of iron ore. The global supply of iron ore continues to expand as the three major world producers continue to increase production at a time of decreasing demand, thereby placing downward pressure on the price of iron ore. As at the date of the Initial Order, the price of iron ore was approximately US\$48/tonne. Since the


making of the Third Extension Order, iron ore has traded within a range of approximately US\$39/tonne to approximately US\$60/tonne. On June 22, 2016 the spot price for iron ore was approximately US\$51/tonne. These prices are not at levels which would allow the Applicants to recommence operations. I believe the consensus view of analysts and other informed commentators is not positive for the price of iron ore in the near to medium term.


24. Pending a significant increase in the iron ore price, the Applicants seek to position themselves for an exit from the CCAA process and to preserve their assets and business for a resumption of mining operations when conditions warrant. During this period, the Applicants will also engage further with major stakeholders with a view to advancing their objectives of renegotiating their material contracts, and pursuing future operational financing arrangements.

25. The Applicants have prepared a cash flow projection for the period of the proposed stay extension, which indicates that the Applicants have the cash they require to continue to fund their limited operations and the costs of these proceedings during the requested stay period. A copy of that statement has been provided to the Monitor for its review and comment, and I understand that the cash flow statement will be appended to the Monitor's report to the Court in respect of this requested stay extension, and will be addressed in that report.

26. The Applicants have acted, and will continue to act, in good faith and with due diligence in pursuing the restructuring.

27. I am not aware of any creditor that will suffer material prejudice if the Stay Period is extended, as requested.

SWORN BEFORE ME, at the City of)
Toronto, in the Province of Ontario, this)
23rd day of June, 2016)
)
A Commissioner for taking Affidavits)



RICHARD PINKERTON

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

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