

**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 September 30, 2016)**

September 23, 2016

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TO: THE SERVICE LIST

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**TAB 1**

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST**

**IN THE MATTER OF THE *COMPANIES' CREDITORS  
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**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")**

**NOTICE OF MOTION**

The Applicants will make a motion to a judge of the Commercial List, on September 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, 8<sup>th</sup> 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 Regional Senior Justice Morawetz dated April 2, 2015) up to and including January 27, 2017;

- (c) authorizing the sale of the Rail Cars (as defined below); and,
  - (d) sealing the complete and unredacted Pinkerton Affidavit (defined below);  
and
2. such further and other relief as this Honourable Court may deem just.

**THE GROUNDS FOR THE MOTION ARE:**

***Background***

3. 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.
4. 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, D&P's ongoing mandates were transferred to KSV, including acting as Monitor in these proceedings. The licensed trustees/restructuring professionals overseeing this mandate prior to June 30, 2015 remain unchanged.

***Stay Extension***

5. The Stay Period has been extended four times, currently up to and including September 30, 2016.
6. The Applicants have acted, and continue to act, in good faith and with due diligence in pursuing the restructuring.
7. An extension of the Stay Period up to and including January 27, 2017 is required to provide time to continue the review and resolution of claims and file a plan of arrangement which the Applicants are diligently advancing and which they expect to file prior to the end of the requested stay extension.
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.

***Sale of Rail Cars***

10. Labrador Iron Mines Limited ("LIM") owns 99 rail cars that are currently being stored in Welland, Ontario (the "Rail Cars").

11. The Rail Cars are configured for use in the coal industry. They were not modified to be used for the transport of iron ore or used in LIM's iron ore operations in Labrador and/or Quebec.
12. Until recently, LIM had been paying a monthly amount to store the Rail Cars. However, the related storage agreement expired, recently, and the party storing the Rail Cars proposed to more than double the cost of storage, prompting a review of the treatment of the Rail Cars.
13. As a result of their review, the Applicants have concluded that:
  - (a) the Rail Cars are surplus to the Applicants' current operations;
  - (b) the Rail Cars cannot be licensed for operation in their current state; and,
  - (c) the cost of repairing and/or refurbishing the Rail Cars in order to render them operational is uneconomic.
14. Subparagraph 12(a) of the Initial Order permits the Applicants to dispose of redundant or non-material assets exceeding \$250,000 in accordance with the further order of the Court.
15. The Applicants have taken reasonable steps to obtain the highest value for the Rail Cars, having regard to, among other things, their condition, their age and useful life, and prevailing market trends.

16. The Applicants received two “as is, where is” bids for the Rail Cars, and they selected the bid that will generate the highest return, net of all costs of sale (the “Winning Bid”).
17. The Winning Bid is fair and reasonable.
18. LIM entered into a security agreement dated February 15, 2013 granting the Sept-Îles Port Authority (“SIPA”) an interest in certain rail cars as security for any amounts that may be owing to SIPA pursuant to an agreement dated July, 2012 between SIPA and Labrador Iron Mines Holdings Limited (“LIMH”) for the use of a multi user loading and docking facility to be constructed by SIPA.
19. LIMH has been engaged in extensive negotiations with SIPA in pursuit of an agreed resolution of all matters between the Applicants and SIPA, including with respect to their interest in the Rail Cars.
20. The Applicants propose that the proceeds of the sale of the Rail Cars will be held in trust by the Monitor, pending final agreement with SIPA regarding their treatment or further order of the court.
21. It is in the best interests of all stakeholders that the Rail Cars be sold at this time in order to maximize value.
22. It is in the best interests of all stakeholders that the complete and unredacted Pinkerton Affidavit be sealed in the court record to avoid prejudicing the Applicants’ restructuring opportunities.



23. The Monitor supports the proposed sale of the Rail Cars.
24. Sections 11 and 36 of the CCAA and the inherent and equitable jurisdiction of this court.
25. 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.
26. 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 September 23, 2016 (the "Pinkerton Affidavit");
2. The Monitor's 7<sup>th</sup> Report to the Court; and
3. Such further and other material as counsel may advise and this Honourable Court permit.

September 23, 2016

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Lawyers for the Applicants

TO: THE SERVICE LIST

TAB A

SCHEDULE "A"

TO NOTICE OF MOTION DATED SEPTEMBER 23, 2016

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

ONTARIO

SUPERIOR COURT OF JUSTICE

COMMERCIAL LIST

THE HONOURABLE	)	FRIDAY, THE 30 <sup>th</sup>
	)	
JUSTICE	)	DAY OF SEPTEMBER 2016

BETWEEN:

**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")**

**STAY EXTENSION AND APPROVAL AND VESTING ORDER**

THIS MOTION, made by the Applicants for an order: (i) approving the extension of the Stay Period (as defined below) until January 27, 2017, (ii) approving the sale transaction (the "Transaction") described in an offer to purchase from SLM Recycling (the "Purchaser") dated August 24, 2016, (the "Offer"), and referred to in the Monitor's 7<sup>th</sup> Report (the "Report"), and (iii) vesting in the Purchaser the Applicants' right, title and interest in and to the assets described in the Offer (the "Purchased Assets"), was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the affidavit of Richard Pinkerton sworn September 23, 2016 (the "Pinkerton Affidavit"), the Report and on hearing the submissions of counsel for the

Applicants and Counsel for the Monitor, no one appearing for any other person on the service list, although properly served:

1. THIS COURT ORDERS that the Stay Period (as defined in the initial order of the Honourable Regional Senior Justice Morawetz made April 2, 2015 (the "Initial Order")) be and is hereby extended until and including January 27, 2017.

2. THIS COURT ORDERS AND DECLARES that the Transaction is hereby approved, and the acceptance of the Offer by the Applicants is hereby authorized and approved, with such minor amendments as the Applicants, with the approval of the Monitor, may deem necessary. The Applicants are hereby authorized and directed to take such additional steps and execute such additional documents as may be necessary or desirable for the completion of the Transaction and for the conveyance of the Purchased Assets to the Purchaser.

3. THIS COURT ORDERS AND DECLARES that upon the delivery of a certificate from the Monitor to the Purchaser substantially in the form attached as Schedule A hereto (the "Certificate"), all of the Applicants' right, title and interest in and to the Purchased Assets described in the Offer and listed on Schedule B hereto shall vest absolutely in the Purchaser, free and clear of and from any and all security interests (whether contractual, statutory, or otherwise), hypothecs, mortgages, trusts or deemed trusts (whether contractual, statutory, or otherwise), liens, executions, levies, charges, or other financial or monetary claims, whether or not they have attached or been perfected, registered or filed and whether secured, unsecured or otherwise (collectively, the "Claims") including, without limiting the generality of the foregoing: (i) any encumbrances or charges created by the Initial Order of the Honourable Regional Senior Justice Morawetz dated April 2, 2015; and (ii) all charges, security interests or claims evidenced by registrations pursuant to the *Personal Property Security Act* (Ontario) or any other personal property registry system; (all of which are collectively referred to as the "Encumbrances"), and, for greater certainty, this Court orders that all of the Encumbrances affecting or relating to the Purchased Assets are hereby expunged and discharged as against the Purchased Assets.

4. THIS COURT ORDERS that for the purposes of determining the nature and priority of Claims, the net proceeds from the sale of the Purchased Assets (the "Sale Proceeds") shall stand in the place and stead of the Purchased Assets, and that from and after the delivery of the Certificate all Claims and Encumbrances shall attach to the Sale Proceeds with the same priority as they had with respect to the Purchased Assets immediately prior to the sale, as if the Purchased Assets had not been sold and remained in the possession or control of the person having that possession or control immediately prior to the sale.

5. THIS COURT ORDERS AND DIRECTS the Monitor to file with the Court a copy of the Monitor's Certificate, forthwith after delivery thereof.

6. THIS COURT ORDERS that the Monitor may rely on written notice from the Applicants and the Purchaser regarding fulfillment of the conditions to closing under the Offer and shall incur no liability with respect to delivery of the Monitor's Certificate.

7. THIS COURT ORDERS that, notwithstanding:

- (a) the pendency of these proceedings;
- (b) any applications for a bankruptcy order now or hereafter issued pursuant to the *Bankruptcy and Insolvency Act* (Canada) in respect of the Applicant and any bankruptcy order issued pursuant to any such applications; and
- (c) any assignment in bankruptcy made in respect of the Applicant;

the vesting of the Purchased Assets in the Purchaser pursuant to this Order shall be binding on any trustee in bankruptcy that may be appointed in respect of the Applicants and shall not be void or voidable by creditors of the Applicants, nor shall it constitute nor be deemed to be a fraudulent preference, assignment, fraudulent conveyance, transfer at undervalue, or other reviewable transaction under the *Bankruptcy and Insolvency Act* (Canada) or any other applicable federal or provincial legislation, nor shall it constitute

oppressive or unfairly prejudicial conduct pursuant to any applicable federal or provincial legislation.

8. THIS COURT ORDERS AND DECLARES that the Transaction is exempt from the application of the *Bulk Sales Act* (Ontario).

9. THIS COURT ORDERS that, pending the close of the sale of the Purchased Assets, the complete and unredacted Pinkerton Affidavit be sealed, kept confidential, and not form part of the public record, but rather shall be placed separate and apart from all other contents of the Court file, in a sealed envelope attached to a notice that sets out the title of these proceedings and a statement that the contents are subject to a sealing order.

10. THIS COURT ORDERS AND DIRECTS that the Sale Proceeds shall be received by the Monitor, in trust, and distributed, subject to the approval of the Monitor, to Administration Portuaire de Sept-Îles/Sept-Îles Port Authority (“SIPA”) in accordance with the terms of an agreement between Labrador Iron Mines Limited, Labrador Iron Mines Holdings Limited and SIPA or, failing any such agreement prior to the date hereof, subject to further order of this court.

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

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Court File No. \_\_\_\_\_

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

**BETWEEN:**

**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")**

**CERTIFICATE**

**RECITALS**

A. The Applicant, Labrador Iron Mines Limited (the "Applicant") was granted protection from its creditors under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended ("CCAA"), and Duff & Phelps Canada Restructuring Inc. (later KSV Kofman Inc.) was appointed as Monitor of the Applicants, pursuant to an Initial Order of the Ontario Superior Court of Justice dated April 2, 2015.

B. Pursuant to an Order of the Court dated September 30, 2016 (the "Vesting Order"), the Court authorized and approved the acceptance of an offer from SLM Recycling (the "Purchaser") dated August 24, 2016 (the "Offer") to purchase certain assets (the "Purchased Assets"), and provided for the vesting in the Purchaser of the Applicant's right, title and interest in and to the Purchased Assets, which vesting is to be effective with respect to the Purchased Assets upon the delivery by the Monitor to the Purchaser of a certificate confirming (i) the payment by the Purchaser of the Purchase Price for the Purchased Assets; (ii) that any conditions to closing set forth in the Offer have been satisfied or waived by the Applicant and the Purchaser; and (iii) the Transaction has been completed to the satisfaction of the Monitor.

C. Unless otherwise indicated herein, terms with initial capitals have the meanings set out in the Vesting Order.



THE MONITOR CERTIFIES the following:

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1. The Purchaser has paid and the Applicant has received the Purchase Price for the Purchased Assets payable pursuant to the Offer;
2. All conditions pertaining to the Offer have been satisfied or waived by the Applicant and the Purchaser; and
3. The Transaction has been completed to the satisfaction of the Monitor.
4. This Certificate was delivered by the Monitor at \_\_\_\_\_ [TIME] on \_\_\_\_\_ [DATE].

**KSV KOFMAN INC.**, solely in its capacity  
as Monitor of the Applicant and not in its  
personal or corporate capacity

Per: \_\_\_\_\_

Name:

Title:

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

**NOTICE OF MOTION**

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Lawyers for the Applicants

# TAB 2

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST**

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OF LABRADOR IRON MINES HOLDINGS LIMITED, LABRADOR IRON MINES  
LIMITED and SCHEFFERVILLE MINES INC. (the "Applicants")**

**AFFIDAVIT OF RICHARD PINKERTON  
(Sworn September 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:

(a) approving the sale of 99 railcars (the "Railcars") to SLM Recycling of Welland, Ontario, (the "Buyer") and vesting all of the Applicants' right, title and interest in and to such railcars in the Buyer free and clear of all liens charges or encumbrances (the "Transaction");

- (b) directing that the net proceeds from the Transaction be paid into an escrow account to be maintained by the Monitor pending an agreement with the Sept-Îles Port Authority ("**SIPA**") as detailed below or further order of the Court; and
- (c) extending the Stay Period (as defined in paragraph 15 of the Initial Order, defined below) until and including January 27, 2017.

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**").

4. The Initial Order granted a stay of proceedings until May 1, 2015. The Court has since extended the Stay Period (as defined in paragraph 15 of the Initial Order) four times. Most recently, on June 30, 2016 the Stay Period was extended to September 30, 2016.

**Request for Approval of Asset Sale**

5. To preserve cash resources to fund their reduced operations during these CCAA proceedings, the Applicants have pursued efforts to generate revenue from their existing operational assets through the provision of rail maintenance services at the Applicants' facility in Sept-Îles, Québec, and by marketing for sale their surplus, non-core assets.

6. As detailed below, the Applicant, Labrador Iron Mines Limited ("LIM"), undertook a process to sell the Railcars which are surplus to the Applicants' current needs. Of the 99 Railcars, 67 are 36 years old and the remaining 32 units are 42 years old. The Railcars were formerly used to transport phosphate and coal and required modifications and upgrades in order to be suitable for LIM's requirements. Although LIM acquired the Railcars in 2012 as part of the purchase of a larger fleet of railcars, they were never used by LIM and have been idle for over three years. Many had been idle prior to LIM's purchase.

7. Shortly after the Railcars were acquired LIM leased other railcars which were specifically designed and built to haul iron ore and consequently more suitable for LIM's requirements. As a result, the Railcars were no longer required for LIM's operations and are now surplus to LIM's requirements.

8. The Railcars are presently located in a storage yard near Welland, Ontario owned by Trillium Railway Co. Ltd. ("Trillium") after being moved from US-based repair facilities where some modifications were in the process of being made. The Railcars are subject to a Railcar Storage Agreement (the "2013 Trillium Agreement") dated February 26, 2013 which stipulates a daily storage fee of \$ [REDACTED] per car, being approximately \$ [REDACTED] per month. The 2013 Trillium Agreement has expired and Trillium is now requiring a new Railcar Storage Agreement (the "New Trillium Agreement") which demands an increased daily storage charge of \$ [REDACTED] per car, being \$ [REDACTED] per month, an increase of approximately [REDACTED]%. The New Trillium Agreement has not yet been executed.

9. LIM considered but ultimately determined that the Railcars would not be attractive to other rail operators for the following reasons:

- (a) **Further Modifications:** LIM's modifications to the Railcars were only partially completed at the time such work was suspended. It would have to be determined whether a possible buyer will require such modifications to be completed or the Railcars restored to their original condition;
- (b) **Obsolescence:** In the more than 30 years since the Railcars were manufactured, the rail industry has largely abandoned the use of steel railcars for the haulage of coal and other bulk products in favour of aluminum cars which are considerably lighter resulting in a greater haulage capacity and lower haulage costs;
- (c) **Roadworthiness:** Although the Railcars were roadworthy at the time they were delivered to Trillium's facility, they have been idle for over three years. A full inspection will be required and, if necessary, maintenance and repair work completed and certified before the Railcars could be moved off of Trillium's rail line. These requirements are contained in the Association of American Railroads Interchange Rules ("**AAR Rules**") which apply to all North American railway traffic. The resulting costs would offset any possible sale proceeds;
- (d) **Age:** The AAR Rules further require that any railcars which are more than 40 years old must be retired from service unless extensive (and costly)

repair and rebuilding work is carried out and certified in which latter event the cars may be used for up to a further 10 years; and

- (e) **Market Demand:** Market demand for the Railcars is extremely soft. The railway industry is experiencing a downturn in traffic volumes, specifically in bulk products such as coal. Currently, aluminum coal cars are in storage facilities throughout the US and these car types would be put back to service in preference to steel bulk cars. In fact, the Railcars were available for sale at the time LIM purchased them because they were surplus to the needs of the North American coal fleet.

10. The foregoing indicates that LIM's ability to sell the Railcars to other rail operators is limited or non-existent. Moreover, if buyers could be found, the costs involved in getting the Railcars into a condition in which they could be moved to the buyer's specified delivery point will negatively impact (or possibly exceed) the sales proceeds to be received.

11. As a result of these factors, LIM concluded that a sale of the Railcars for their scrap value is the best alternative from a financial point of view. There is an active North American market for scrap steel. Prevailing prices for scrap steel are published regularly by the American Metal Market ("AMM"), a subscriber-based online and print provider of metal industry news and pricing information. The AMM publishes a monthly report of quoted scrap steel prices for various delivery points throughout North America including (most importantly for LIM) Hamilton, Ontario. The AMM quoted price is often used as the benchmark for scrap steel dealers.



12. The sale process undertaken by LIM for the sale of the Railcars entailed requests for quotations during the summer of 2016 to two scrap steel dealers. These dealers are the only ones located on the Trillium railway line in southwestern Ontario and they are located within a few kilometres of the present location of the Railcars.

13. LIM did not seek quotations from scrap steel dealers which were located off the Trillium railway line to avoid to the costs of inspections and possibly repairs or upgrades potentially required to meet the certification requirements under the AAR Rules to permit the delivery to scrap dealers located on or near other rail lines.

14. LIM's process for the sale of the Railcars resulted in two offers to purchase. The proposed offer from the Buyer (a copy of which is attached as Exhibit "A" to this affidavit), is for a lump sum price of \$ [REDACTED] and the Buyer will also bear the cost of transporting the Railcars to its facility relieving LIM from a \$ [REDACTED] estimated transportation expense. LIM will be responsible only for switching charges of \$ [REDACTED] payable to Trillium. As a result, LIM estimates that it would receive net proceeds of approximately \$ [REDACTED] from acceptance of this offer. A copy of the other offer is attached as Exhibit "B" to this affidavit.

15. The Applicants consider the Buyer's offer to be the superior offer and considers it to be in the best interests of all stakeholders to accept this offer and complete the sale of the Railcars as soon as possible. Among other things, the sale will discontinue storage costs for the Railcars.

16. The Applicants entered into a security agreement dated February 15, 2013 which provides for a security interest in the Railcars in favour of SIPA pursuant to an

agreement dated July, 2012 between SIPA and the Applicant, Labrador Iron Mines Holdings Limited ("LIMH") for the use of a multi user loading and docking facility to be constructed by SIPA. LIMH has conducted extensive negotiations with SIPA in pursuit of an agreed resolution of all matters between the Applicants and SIPA (including with respect to any such security interest) and I believe that such a resolution is imminent. As a result, LIM proposes that the net proceeds of the sale of the Railcars be paid into an escrow account to be maintained by the Monitor pending the conclusion of an agreement with SIPA or further order of the Court.

17. Copies of the offers are marked as Exhibits "A" and "B" to this affidavit.

18. The Applicants would like the complete and unredacted version of this affidavit be sealed in the court record pending completion of the proposed sale, if approved, in order to avoid the prejudice to recoveries that may arise if the sale is not completed as planned.

19. I believe that the completion of the sale of the Railcars will eliminate unnecessary costs while monetizing an asset of a key stakeholder, which will assist in resolution of matters with SIPA and the advancement of the Applicants' plan of arrangement.

20. I am not aware of any creditor that will suffer material prejudice if this asset sale is consummated.

### **Stay Extension**

21. The Applicants are seeking to extend the Stay Period (as defined in paragraph 15 of the Initial Order) up to and including January 27, 2017. The Applicants have

prepared a projection which estimates that they have sufficient cash resources to meet their post-filing obligations beyond January 27, 2017. I understand that the Monitor will file an updated cash flow forecast with the Court prior to the hearing of this motion.

22. The Applicants have proceeded diligently during the time since June 30, 2016. They have been developing a plan of compromise and arrangement (the "Plan") which they intend to present to their Affected Creditors and negotiating compromise arrangements with respect to certain continuing contracts between the Applicants and certain service providers thereby avoiding the necessity of disclaiming such contracts and/or the filing of potentially substantial restructuring period claims by such parties.

23. As a result of its efforts, LIM has successfully concluded a suspension agreement with a major rail services provider which provides, among other things, for the suspension of LIM's obligations to contribute to future capital costs for railway maintenance and upgrades and for take-or-pay tariffs in respect to guaranteed minimum tonnage shipments. The agreed suspensions will continue until the resumption of mining operations and are without prejudice to the rail carrier's pre-filing claims. In consideration of these suspensions, LIM has waived certain prepaid credits against future rail tariffs.

24. Negotiations with other important stakeholders are progressing, and the Applicants are optimistic that they will be able to announce agreements with such stakeholders in the very near future.

25. I believe it is highly likely that the Plan can be completed within the next two to three weeks, and, in any event, well prior to the end of the requested extension of the

stay of proceedings. The Applicants are working to file the Plan with the Court by mid-October, 2016, and intend to seek orders concerning the convening and conduct of meetings of their creditors at that time.

### **Overview of the Plan**

26. The Applicants have developed the Plan, in consultation with several of their major creditors and the Monitor.

27. As will be described in more detail in an affidavit to be sworn in support of the filing of the Plan and a Meetings Order, the Plan, if approved, sanctioned and implemented, will:

- (a) restructure the corporate and operating structure of the Applicants' business to preserve its assets and undertaking in a standby mode in the near term and allow time for the Applicants to continue their efforts to restructure their operating agreements with major service suppliers;
- (b) position the Applicants to refinance an orderly resumption of their iron ore mining activities when economic conditions warrant;
- (c) effect a compromise, settlement and payment of all Proven Claims in the near term; and
- (d) grant releases in favour of the Applicants and others.

28. The Plan will be put forward by the Applicants in the expectation that all Creditors, stakeholders and other Persons with an economic interest in the Applicants

and their business will derive a greater benefit from the implementation of the Plan than would result from a bankruptcy or immediate liquidation.

29. I believe the Plan will have the support of the Applicants' largest creditors.

30. I believe that the Applicants have acted, and continue to act, in good faith and with due diligence in pursuing the restructuring of their business. In particular, the Applicants have worked diligently with the Monitor and stakeholders to develop the Plan, which is expected to provide finality and certainty in these CCAA proceedings and some recoveries to Creditors when operations recommence. An extension of the stay of proceedings is necessary to allow the Affected Creditors to consider and vote on the Plan and, if they approve it, to permit the Applicants to bring the motion asking the Court to sanction the Plan.

31. I am informed by the Monitor that it supports the request to extend the Stay Period to January 27, 2017.

SWORN BEFORE ME, at the City of Toronto, in the Province of Ontario, this 23<sup>rd</sup> day of September, 2016

*Neil H. Atkinson*  
A Commissioner for taking Affidavits

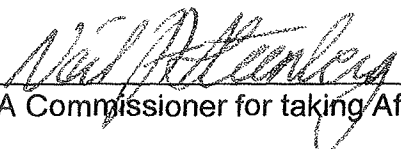
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*[Signature]*  
RICHARD PINKERTON

This and the following 2 pages is Exhibit A to

The Affidavit of Richard Pinkerton

Sworn before me on the 23<sup>rd</sup> day of September, 2016

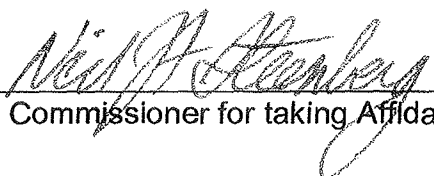
  
\_\_\_\_\_  
A Commissioner for taking Affidavits

CONFIDENTIAL

This and the following 2 pages is Exhibit B to

The Affidavit of Richard Pinkerton

Sworn before me on the 23<sup>rd</sup> day of September, 2016

  
A Commissioner for taking Affidavits



CONFIDENTIAL

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

**AFFIDAVIT OF RICHARD PINKERTON**

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Lawyers for the Applicants

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

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SUPERIOR COURT OF JUSTICE  
(COMMERCIAL LIST)**

PROCEEDING COMMENCED AT  
TORONTO

**MOTION RECORD OF THE APPLICANTS**

**Motion re: Stay Extension  
Returnable September 30, 2016**

**PALIARE ROLAND ROSENBERG ROTHSTEIN LLP**

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