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 ORARRANGEMENT OF LABRADOR IRON MINES HOLDINGSLIMITED, LABRADOR IRON MINES LIMITED and SCHEFFERVILLE MINES INC. (the "Applicants")

AFFIDAVIT OF JOHN F. KEARNEY
(Sworn November 3, 2016)

I, John F. Kearney, of the City of Toronto, in the Province of Ontario, Canada, MAKE OATH AND SAY:

1. I am the Chief Executive 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 (the "**Meetings Order**"), among other things:

(a) Accepting the filing of the Applicants' Plan of Compromise and Arrangement dated November 3, 2016 (the "**Plan**"); and

(b) Authorizing and directing the Applicants to call a meeting of creditors to consider and vote upon the Plan.

3. Capitalized terms not otherwise defined in this Affidavit have the meaning given to them in the Plan. All monetary amounts are in Canadian Dollars, unless otherwise stated.

4. The Applicants, which are iron ore mining companies with mining assets located in and around the Labrador trough, 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**").

5. 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) five times. Most recently, on September 30, 2016 the Stay Period was extended to January 27, 2017.

6. I refer to the affidavit sworn by me in respect of the application for the Initial Order which is appended hereto, without exhibits, as Exhibit "A" (the "**Initial Affidavit**"). That affidavit describes, in detail, the Applicants' business, assets and liabilities as understood at the commencement of these proceedings, together with the challenges faced by the Applicants' business, and their restructuring objectives.

7. Having commenced these proceedings, and in accordance with the approach contemplated by the Initial Affidavit, the Applicants have, among other things:

(a) implemented a claims process in accordance with the order of this Court dated April 18, 2016 (the "Claims Procedure Order"), for the purpose of identifying their creditors;

(b) engaged in extensive negotiations with stakeholders; and,

(c) prepared the Plan, which I believe is ready for presentation to and consideration by affected unsecured creditors ata meeting.

The outcome of each of the foregoing efforts is described below.

8. The Plan is being 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. Although the Plan does not provide any certainty of recovery, it creates a framework that may permit the Applicants to sustain themselves pending the recovery of iron ore prices, and affords creditors an opportunity to recover their debts through the future profits of the Applicants' business.

A. The Claims

9. As a result of the implementation of the Claims Procedure, the Applicants have now identified the following claims (excluding intercompany claims):

	LIMH		LIM		SMI	
	No.	Value	No.	Value	No.	Value
Accepted	8	$1,128,227[1]	81	$28,695,762	9	$243,183
Disputed	0	0	Disputed portion of 2 of above claims	$3,476,775	0	0
Totals	8	$1,128,227[1]	81	$32,172,537	9	$243,183

[1]Includes a claim by the Port of Sept Iles (the "**Port**") which, by agreement, is accepted as a Convenience Claim for the purposes of the Plan.

10. In addition to the foregoing, there are 4 creditors who have made claims against all of the Applicants for an aggregate, accepted amount of $36,479,981. One of such claims is subject to dispute which, if successful would increase the total amount of such claims to $50,826,219.

11. In addition to the foregoing, LIMH has provided funding to each of LIM and SMI through intercompany loans and filed claims against LIM and SMI, respectively, of $269.0 million and $21.3 million.

12. The Claims Procedure also called for claims against the Applicants' current or former directors and officers. No claims were advanced against any of those individuals in the Claims Procedure.

B. Negotiations with Major Stakeholders

1. Railways and the Port

13. As noted in the Initial Affidavit, the Applicants' point of access to their customers is the Port of Sept-Iles, Québec. LIM's mined iron ore is transported by rail along LIM's six kilometre rail spur line, which then connects to the Tshiuetin Rail Transportation Inc. (**"TSH"**)railway. The 198 km TSH railway then connects to the Quebec North Shore and Labrador Railway (**"QNS&L"**) railway at Emeril Junction which runs about 300 km to Sept Iles. At Sept Iles, iron ore is unloaded and stockpiled for shipping.

14. The Applicants have long term contracts in respect of the services provided by each of TSH, QNS&L and the Port, which include significant take-or-pay obligations. The contracts had been rendered uneconomic and unsustainable due to the prevailing iron ore price, generally, and the Applicants' financial circumstances and accumulated operational losses in particular. Accordingly, a considerable amount of time in these proceedings was devoted to discussions with TSH, QNS&L and the Port. Agreements have been reached with each of these stakeholders so as to permit the Applicants to develop the Plan. These stakeholders are each making accommodations that allow the Applicants to file the Plan such that the result is better for all creditors; in a liquidation scenario, I expect that these stakeholders would be entitled to the vast majority of what little value could be realized, as more fully detailed below.

15. As previously reported to this Court, earlier this year LIM negotiated an agreement with QNS&L that suspends the obligations of LIM under its rail services agreement with QNS&L pending the resumption by the Applicants of iron ore mining

and shipping operations (the "**QNS&L Suspension Agreement**"). The QNS&L Suspension Agreement, as amended, is conditional upon (i) any claims by QNS&L being treated as unaffected claims in any restructuring plan presented in these proceedings, and (ii) a restructuring plan being approved by the requisite majority of creditors (as provided in the CCAA) and sanctioned by the Court on or before January 27, 2017.

16. A suspension agreement has also been negotiated with TSH, (the "**TSH Suspension Agreement**"). The terms of the TSH Suspension Agreement, as amended, are similar to those of the QNS&L Suspension Agreement as relates to take-or-pay and other long term obligations. The TSH Suspension Agreement also contemplates the sanction of a restructuring plan by January 27, 2017.

17. The Applicants were unable to conclude a suspension agreement with the Port. Certain of the obligations to the Port had become the subject matter of dispute. As a result, in order to obtain the certainty needed to file the Plan, LIMH disclaimed its contract with the Port. Pursuant to a settlement agreement between LIMH and the Port, the Port accepted the disclaimer, filed a Restructuring Period Claim against LIMH for a significant amount and agreed to participate in the Plan as a Convenience Creditor with respect to its unsecured claims (including its Restructuring Period Claim) (the Port would otherwise represent approximately 54% in value of Claims against LIMH) on the basis of the receipt by the Port of a partial payment on account of its secured claim on the Plan Implementation Date, along with the net proceeds of the liquidation of the rail cars standing as security for the debt owed to the Port, as realized in due course. The

settlement agreement with the Port whereby the Port agreed to participate as a Convenience Creditor and receive the Cash Elected Amount rather than to receive shares of LIMH is a major factor facilitating the Applicants' planned exit from these proceedings.

2. RBRG

18. The Applicants' most significant other creditor, is RBRG Trading (UK) Limited ("RBRG" and formerly RB Metalloyd Limited). Pursuant to a 2013 Advance Payment agreement between LIM and RBRG (the "**RBRG Agreement**"), RBRG advanced a prepayment of US$35 million to LIM. The pre-payment was intended to be repaid through the proceeds of LIM's committed sales of 3.5 million tonnes of iron ore shipments between August 2013 and December 2014, of which 1.663 million tonnes have been delivered. As security for the re-payment, RBRG was granted a security interest over two iron ore stockpiles owned by LIM and by SMI. Both LIMH and SMI have guaranteed LIM's obligations under the RBRG Agreement.

19. From the outset of these proceedings, the Applicants have met regularly with RBRG to keep it informed of developments and explore the terms of a settlement agreement. As of the date hereof, although the Applicants and RBRG have pursued extensive negotiations, they have not yet concluded a support agreement. However, based on negotiations to date, I believe the Applicants and RBRG are close to signing a support agreement between the parties (the "RBRG Support Agreement") whereby RBRG will support the Plan.

20. The proposed RBRG Support Agreement, if concluded, contemplates that the amount of RBRG's claim will be settled, RBRG shall vote in favour of the Plan and release its security on the two ore stockpiles. Inconsideration for this and in addition to the distributions to RBRG of shares of LIMH, LIM and RoyaltyCo in accordance with the Plan, the Applicants will grant RBRG:(i) a 50% net profits interest in such stockpiles, (ii) a right of first refusal for off-take & purchase of iron ore products in connection with the future resumption of mining operations, in connection with which, and subject to market conditions RBRG will consider providing working capital financing to support LIM's future mining operations, and (iii) certain future corporate governance commitments that are consistent with the significance of RBRG's expected interest in the Applicants, including the right to appoint two directors to the Board of each of LIMH, LIM and SMI. Although I believe the RBRG Support Agreement will be signed, there can be no assurance that an agreement will be concluded on these terms or at all.

C. The Plan

1. Background

21. LIMH is the parent company of the group and is the sole shareholder of LIM and SMI. LIM and SMI own extensive iron ore resources, processing plants, equipment, rail infrastructure and facilities at their mine sites located near Schefferville, Québec, approximately 600 kilometres north of Sept-Îles, from which iron ore is sold and shipped to China. The Applicant's most significant deposits are known as Houston (owned by LIM) and Malcolm (which is adjacent to Houston and is owned by SMI) (together, Houston and Malcolm are defined as the "Houston Project").

22. LIM believes that the Houston Project is its most attractive development property and is expected to form the core of LIM's future mining activities. LIM has advanced the planning of the development of the Houston Project to be in a position to resume mining operations when the iron ore market recovers. Houston is situated in Labrador about 10 kilometres ("km") southeast of Schefferville. Together with the Malcolm Deposit, considered to be its northwest extension, the Houston deposits are estimated to contain a National Instrument 43-101 ("NI 43-101") measured and indicated resource of 40.6 million tonnes grading 57.6% iron ("Fe").

23. LIM has prepared a development plan for the Houston Project. The development plan involves making assumptions and estimates, including the price of iron ore; quality and grade of iron ore; capital expenditures, including road development and other costs to access the Houston site; annual production volumes; rail transportation costs; ocean freight costs; labour rates; equity and debt financing; currency; interest rates; discount rates; and corporate expenses. When in full production, the Houston-Malcolm deposits are expected to produce saleable product of about 2to3million tonnes per year, with an initial mine-life of 8 to 10 years. There can be no assurance that the assumptions and estimates upon which LIM's development plan is based will prove accurate at the time production is initiated.

24. LIM does not plan to develop the Houston Project until market conditions improve, and in the meantime plans to maintain the property on a care and maintenance basis.

2. Purposes of the Plan

25. The principal purposes of the Plan are to convert the debts of LIMH into equity in LIMH and the debts of LIM and SMI into equity in LIM and Houston Iron Royalties Limited ("**RoyaltyCo**"), a corporation that will have the contractual right to receive payment of a royalty as described below, such that creditors (other than Convenience Claims) will have an equity interest in the respective debtor (either LIMH or LIM).

26. Implementation of the Plan will: significantly reduce LIM's indebtedness such that it will be in a position to raise financing when the iron ore market recovers; preserve LIM's and SMI's mineral claims, mining leases and surface leases in Newfoundland and Labrador and in Quebec; and provide LIM the opportunity to resume its mining activities when iron ore prices stabilize. The Plan will also preserve a significant portion of the Applicant's tax losses; and avoid a liquidation or reclamation of the Applicant's assets, which could result in no return to stakeholders.

3. Features of the Plan

27. The central features of the Plan are as follows.

(a) Creditor Classes. The Plan contemplates two classes of Affected Unsecured Creditors: a class of unsecured creditors having claims against LIMH (i.e., at the holding company level); and, a class of unsecured creditors having claims against LIM and SMI (i.e., at the operating company level).

(b) Corporate Restructuring. A series of corporate transactions described in section 4.1(b) of the Plan will be completed so as to compromise LIMH's Intercompany Claims in a tax efficient manner and establish LIMH's shareholding in LIM should the Plan be implemented. In particular:

(i) the corporate transactions will result in the formation of Amalgamated LIM, shares of which will be issued to Affected Unsecured Creditors;

(ii) LIMH will hold, post-implementation of the Plan, a 51% interest in Amalgamated LIM;

(iii) Amalgamated SMI will become a wholly owned subsidiary of Amalgamated LIM.

(c) Consideration to Affected Creditors. In full and final satisfaction of the obligations owed to them by the Applicants, Affected Creditors will receive the following consideration:

(i) 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 of the Applicants shall realize on their collateral within the time limits prescribed by the Plan and participate in the Plan as Affected Unsecured Creditors in respect of any unsecured balance owing to them.

(ii) Affected Unsecured Creditors of the Applicants who are owed $5,000 or less, or who elect to reduce their claim to $5,000 for the purposes of voting and distribution under the Plan, will receive a cash payment equal to the lesser of $5,000 or the amount of their claim.

(iii) Affected Unsecured Creditors of LIM and SMI, other than LIMH, who are not Convenience Class Creditors shall receive:

1) common shares of Amalgamated LIM representing, in the aggregate and post implementation, approximately 49% of Amalgamated LIM's issued shares;

2) common shares representing, in the aggregate and post-implementation, one hundred percent (100%) of the shares of RoyaltyCo, which will have the contractual right to receive payment of a royalty equal to two percent (2%) of the total proceeds from the sale, FOB Port of Sept-Îles, of iron ore from LIM's Houston-Malcolm Property in accordance with royalty agreements substantially in the form attached as Schedules C (Houston Property) and D (Malcolm Property), respectively, of the Plan;

(iv) In respect of LIMH's Intercompany Claims it will receive a 51% post-implementation shareholding interest in Amalgamated LIM.

LIMH will not receive any shares of RoyaltyCo. If additional common shares of Amalgamated LIM are distributed pursuant to the Plan as a result of the resolution of any Disputed Distribution Claim on or after the Plan Implementation Date, LIMH will be entitled to such additional shares in Amalgamated LIM as are required for LIMH to maintain a 51% post-implementation shareholding interest; and,

(v) Affected Unsecured Creditors of LIMH will receive common shares of LIMH representing in the aggregate and post-implementation, approximately 25% of LIMH's outstanding shares, provided that no creditor shall receive more than a 19.99% interest in LIMH, and provided further that any distribution of shares occurring after the Plan Implementation Date as a result of a resolution of any Disputed Distribution Claim against LIMH shall dilute the interest of pre-filing shareholders of LIMH, and not the interest of creditors.

(d) Releases. Upon implementation of the Plan, all Claims, debts, actions, liabilities and obligations of any Person against the Applicants, the Monitor, KSV and each of their respective present and former shareholders, officers, directors, employees, auditors, financial advisors, legal counsel and agents, known or unknown, 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, the Plan and the CCAA Proceedings, shall be released and discharged, and creditors shall be barred from taking any steps in respect of such claims; provided that nothing releases the Applicants in respect of Unaffected Claims or their obligations under the Plan or a CCAA Order.

(e) Conditions to Plan Implementation. The implementation of the Plan is subject to the satisfaction or waiver of conditions precedent, as detailed in Article 7.6. However, apart from the vote of creditors and sanction by the Court, all of these conditions appear to be within the control of the Applicants, and I am not aware of any reason why they would not be satisfied.

A copy of the Plan is marked as Exhibit B to this affidavit.

4. Consequences of Plan Implementation

28. If approved, sanctioned and implemented, the Plan will:

(a) reorganize the corporate and operating structure of the Applicants' business to preserve their assets and undertakings in a standby mode until the market price of iron ore recovers; and,

(b) position the Applicants to refinance and commence an orderly resumption of their iron ore mining activities when economic conditions warrant.

29. LIM does not plan to develop the Houston Mine until market conditions improve such that it is able to be financed. However, LIM is cognizant that its operations will need to be funded on a care and maintenance basis until that time. In addition, LIM must continue to complete required environmental reclamation work at its current mine site. In that regard, the Applicants prepared a cash flow projection detailing its estimated costs to March 31, 2019 and identified assets to be sold on an orderly basis (including the estimated timing and quantum of those sales) in order to cover its stand-by and operating costs during that period.

30. The potential asset sales contemplated in this cash flow include: (i) the maintenance facilities and other real property located at Schefferville and Sept Iles; (ii) LIM's and/or SMI's interest in various iron ore deposits; and (iii) miscellaneous production equipment, rail sidings and non-core capital assets located at the Applicant's mine sites. In addition, LIM will continue to complete required environmental reclamation work at its current mine site.

31. Based on its assumptions as to the market value of such assets and the assumption that such sales can be effected in a timely manner, the Applicants believe that they will have sufficient cash resources to fund its standby operations beyond March 31, 2019. Environmental reclamation work will be funded or refunded largely from cash already on deposit as security in favour of environmental authorities.

32. For its financial reporting purposes, LIM intends to record the Houston mineral property interests at a book value of $20 million and the 2% royalty interest, to be held by RoyaltyCo, at a book value of $7 million. LIM believes these valuations are

supported by the market valuations of comparable public junior iron ore companies in the Labrador Trough. Based on the Houston development plan and the assumptions used therein, LIM estimates that, over the life of the project, LIM would generate $218 million of positive cash flow, before income taxes payable, if any, and RoyaltyCo would receive royalties of $30 million.

33. Although the Plan does not provide any certainty of recovery, it creates a framework that may permit the Applicants to sustain themselves pending the recovery of iron ore prices, and restart operations at that time. This Plan affords creditors an opportunity to recover their debts through the future profits of the Applicants, and serves the social stakeholder objectives of the CCAA by preserving the corporate and physical infrastructure necessary to facilitate economic activity in the region of the Applicants' mine site. The Applicants believe that absent a successful restructuring, creditors will recover very little, if any, of the debt owing to them, and it is less certain that new investment will be attracted to the region.

34. The Plan contemplates that, post-implementation, LIMH will provide management services to Amalgamated LIM at cost and Amalgamated LIM will provide management services to RoyaltyCo at cost in accordance with the Management Services Agreements appended as Schedules F and G, respectively, to the Plan.

35. The Plan is being 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. I anticipate that if the Plan is not approved a likely outcome would include:

(a) the current officers and directors of the Applicants will resign;

(b) secured creditors and/or a court-appointed officer will likely be required to take responsibility for a liquidation of the Applicants' assets, failing which those assets will be abandoned, the Applicants would ultimately lose their charter and their properties and assets will forfeit to the Crown;

(c) environmental monitoring and remediation work currently being undertaken by the Applicants will cease unless a government agency intervenes and assumes responsibility for the completion of that work;

(d) the suspension agreements with QNS&L and TSH will terminate and QNS&L and TSH will become entitled to assert substantial take-or-pay claims against LIM, which could make them the largest creditors of LIM; and,

(e) recovery by Affected Unsecured Creditors will be materially worse.

36. Based on their discussions with their key stakeholders, including those described above, the Applicants anticipate that there will be creditor support sufficient for the Plan to be accepted by the Required Majority of Voting Claims.

D. Notice and Conduct of the Proposed Meeting of Creditors

37. The proposed Meetings Order authorizes the Applicants to convene a meeting of two classes of creditors, being (i) Affected Unsecured Creditors of LIMH and (ii) Affected Unsecured Creditors of LIM and SMI, to consider and vote on the Plan. The Applicants propose the Creditors' Meetings be held at the offices of Paliare Roland Rosenberg Rothstein LLP, Barristers, 155 Wellington Street West, 35th floor, Toronto Ontario M5V 3H1, on December 6, 2016.

38. Following is a summary of what I believe to be the most important features of the proposed Meetings Order. Capitalized terms in this section that are not otherwise defined have the meaning given to them in the proposed Meetings Order.

1. Acceptance of the Plan and Amendments

39. The Meetings Order accepts the Plan for filing and provides that the Applicants, with the consent of the Monitor, are authorized to make and to file any Plan Modification prior to or at the Creditors' Meetings, in which case any such Plan Modification will form part of and be incorporated into the Plan. The Monitor is required to post any such Plan Modification on its website and give notice of such posting to the Service List, and the Applicants are required to give notice of any such Plan Modification at the Meetings, prior to any vote being taken to approve the Plan.

40. The Meetings Order also provides that the Applicants may, with the consent of the Monitor, effect a Plan Modification after the Creditors' Meetings, either (a) pursuant to an order of this court; or, (b) where the Plan Modification is of an administrative nature and does not adversely affect the financial or economic interests of Affected

Creditors. The Monitor is required to post any such Plan Modification on its website and give notice of such posting to the Service List.

2. Notification

41. The Meetings Order provides for comprehensive notification of the Creditors' Meetings to Affected Creditors. It is proposed that the Monitor will, among other things:

(a) as soon as practicable after the making of the Meetings Order, post a copy of the Meetings Materials, including the Plan Report, on the Monitor's website, and send a copy to Affected Creditors by regular mail, facsimile, courier or email at their last known address; and,

(b) as soon as practicable and no later than four business days after the making of the Meetings Order, cause the Notice of Meetings to be published in the following newspapers for a period of one (1) Business Day: The Globe & Mail (National Edition; English), The Telegram (St. John's, NL; English) and Le Journal Nord-Côtier (Sept-Îles, Québec: French).

3. Conduct of the Creditors' Meetings

42. The Meetings Order provides that a representative of the Monitor will preside as the Chair of the Creditors' Meetings and, subject to any further order of this Court, will decide all matters relating to the conduct of the Creditors' Meetings. The Monitor may appoint scrutineers for the supervision and tabulation of the attendance at, quorum at

and votes cast at the Creditors' Meetings. A Person designated by the Monitor will act as secretary at the Creditors' Meetings.

43. The meeting of Affected Unsecured Creditors of LIMH will commence at 10:00 a.m. (Eastern), and the meeting of Affected Unsecured Creditors of LIM and SMI will commence at 11:00 a.m. (Eastern), or at such later time as the Chair may designate in the event that the earlier meeting is still ongoing at that time.

44. The only Persons entitled to attend and speak at the Creditors' Meetings are representatives of the Applicants, the Monitor and all Affected Unsecured Creditors of the Applicants (including the holders of Proxies), and their respective legal counsel and advisors. Any other Person may be admitted to the Creditors' Meetings only on invitation of the Chair.

45. The Creditors' Meetings may be adjourned by vote of the Affected Unsecured Creditors or at the discretion of the Chair acting in consultation with the Applicants.

4. Voting

46. The voting procedures are intended to provide a fair and equitable opportunity for Affected Unsecured Creditors to register their votes for or against the Plan. The Meetings Order and the Plan provide, among other things, as follows:

(a) The quorum required at the Creditors' Meetings will be one Affected Unsecured Creditor with a Voting Claim present at such meeting in person or by Proxy;

(b) An Affected Unsecured Creditor will be permitted to attend the Creditors' Meetings in person or may appoint another person to attend the Creditors' Meetings as its proxyholder in accordance with the process provided in the Meetings Order. The Meetings Order contains provisions outlining the requirements for voting by Proxy, and sets out the procedure and deadlines for submitting a Proxy;

(c) The Chair will direct a vote on the Resolution to approve the Plan and any amendments or variations thereto made in accordance with the Plan and the Meetings Order;

(c) Each Affected Unsecured Creditor with a Voting Claim will be entitled to one vote equal to the dollar value of its Affected Unsecured Claim determined as a Voting Claim in accordance with the Claims Procedure Order and the Meetings Order;

(d) Each Convenience Class Creditor will be deemed to have voted in favour of the Plan in respect of its Convenience Claim;

(e) An Affected Unsecured Creditor holding a Disputed Voting Claim will be entitled to attend the Creditors' Meetings and vote its Disputed Voting Claim in the amount set out in its Proof of Claim or Notice of Dispute of Claim, as applicable, without prejudice to the rights of the Applicants, the Monitor or such creditor with respect to the determination of the Disputed Voting Claim for distribution purposes, provided that votes cast in respect

of Disputed Voting Claims shall not be counted pending further Order of the Court. The Monitor will keep a separate record of votes cast by Affected Unsecured Creditors holding Disputed Voting Claims and will report to the Court with respect thereto at the Plan Sanction Hearing, including with respect to the impact of the Disputed Voting Claims on the outcome of the vote in each class of creditors;

(f) An Affected Unsecured Creditor may transfer or assign the whole of its Claim prior to the Creditors' Meetings for voting purposes, provided that neither the Applicants nor the Monitor will be obligated to give notice to or otherwise deal with the transferee or assignee unless the transferee or assignee has complied with the procedures in the Plan and Meetings Order; and

(g) Certain Persons are not entitled to vote on the Plan, including certain related party directors and Persons holding Unaffected Claims(in respect of their Unaffected Claims)and Intercompany Claims.

5. Report on the Outcome of the Meeting

47. Following the vote at the Creditors' Meetings, the Monitor will tally the votes.

48. The Monitor will provide a report to the Court as soon as practicable after the Creditors' Meetings with respect to the results of voting on the Resolution, including (i) whether the Required Majority in each Voting Class has approved the Plan; (ii) whether the vote in respect of the Disputed Voting Claims would have affected the results of the

Creditors' Meetings. A copy of the Monitor's Report will be posted on the Monitor's website prior to the Sanction Motion.

E. Sanction Hearing

49. In anticipation of the Plan being approved by the Required Majority of Affected Unsecured Creditors, the Applicants will be seeking, at the hearing of the motion for the Meetings Order, to confirm a date in December, 2016 for the hearing of a motion for an Order sanctioning the Plan.

SWORN BEFORE ME, at the City of St. John's, in the Province of Newfoundland and Labrador, this 3rd day of November, 2016

A Barrister in and for the Province of Newfoundland and Labrador

A barrister, NL

JOHN F. KEARNEY

This and the following 41 pages is Exhibit A to

The Affidavit of John F. Kearney

Sworn before me on the 3rd day of November, 2016

A Barrister in and for the Province
of Newfoundland and Labrador

A barrister, NL

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.

AFFIDAVIT OF JOHN F. KEARNEY
(Sworn March 31, 2015)

I, John F. Kearney, of the City of Toronto, in the Province of Ontario, Canada, MAKE OATH AND SAY:

1. I am the Chairman, Chief Executive Officer and a director of Labrador Iron Mines Holdings Limited ("**LIMH**"), Labrador Iron Mines Limited ("**LIM**") and Schefferville Mines Inc. ("**SMI**") (LIMH, LIM and SMI are sometimes collectively referred to herein as the "**Applicants**") 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. This affidavit is sworn in support of the application for an Initial Order, among other things:

   (a) abridging and validating the time for service of the Notice of Application and the Application Record, and dispensing with further service thereof;

   (b) declaring that the Applicants are companies to which the CCAA applies;

(c) appointing Duff & Phelps Canada Restructuring Inc. ("**Duff & Phelps**") as Monitor of the Applicants;

(d) staying all proceedings and remedies taken or that might be taken against or in respect of the Applicants or any of their property, except as otherwise set forth in the Initial Order;

(e) authorizing the Applicants to carry on business in a manner consistent with the preservation of their property and to make certain payments in connection with their business and the proceedings; and

(f) creating the Administration Charge (defined below) and the Directors' Charge (defined below).

3. If the relief sought is granted, the Applicants' action plan over the next forty five days is as follows:

(a) To consult with their creditors and stakeholders with a view to securing agreement to a restructuring plan which would compromise creditor claims and restructure the Applicants key operating contracts;

(b) To pursue negotiations for the monetization of certain of the Applicants' non-core assets; and

(c) To continue discussions with LIM's major outside creditors, RBRG Trading (UK) Limited ("**RBRG**" and formerly RBR Metalloyd Limited) and Grey Rock Services Inc. ("**Grey Rock**") with a view to concluding an agreement to compromise their claims;

(d) To continue discussions with Gerald Metals SA ("**Gerald**"), an affiliate of RBRG with a view to concluding a support agreement and a potential mine development financing generally as contemplated in a non-binding memorandum of understanding, dated November 4, 2014 and described in more detail later in this affidavit;

(e) To identify opportunities and pursue interim debtor-in-possession financing ("**DIP Financing**") on a basis to be determined to cover the costs of the Applicants' care and maintenance operations during these proceedings should it appear that the Applicants do not have sufficient liquidity or resources to fund these costs and these CCAA proceedings.

A. OVERVIEW

4. The Applicants, headquartered in Toronto and operating through LIM, develop and mine direct shipping ("**DSO**") iron ore projects in the Labrador Trough, located in the Provinces of Newfoundland and Labrador and of Quebec, near Schefferville, Québec. DSO is ore of a sufficiently high iron content to allow shipping and sale to the end users with only limited upgrading and without prior treatment in a concentrator.

5. At present, LIM's mining and shipping operations are suspended in light of the prevailing low price of iron ore and the high operating costs experienced. LIM decided not to commence its normal, seasonal (April to November) mining operations for the 2014 operating season and is now operating on a care and maintenance basis.

6. In 2014, the iron ore price declined nearly 50% to approximately US $66.00/tonne by late December, 2014. LIM did not resume mining operations in 2014

due to the deteriorating iron ore market conditions and particularly in the context of its high operating costs. The iron ore price has continued to decline during the 2015 year to date dropping below US$60 /tonne, primarily as a result of excess supply from large Australian producers to the China market. By the end of March, 2015 the price was approximately $US52/tonne. In future, the Applicants' ability to carry out their operations and address their current working capital deficit will depend upon their ability to secure new financing and restructure their current debts, key operating costs and contracts relating to their operations.

7. In order to effect this restructuring, the Applicants are applying for an initial order (the "**Initial Order**") and related relief under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**") that will allow them the time and space necessary to negotiate with stakeholders with a view to securing agreement to a restructuring plan which would compromise creditor claims, restructure key operating, contracts, secure new financing and otherwise consider restructuring and refinancing options.

8. The Applicants believe that a restructuring under the CCAA can be achieved in an orderly and timely manner. The Applicants are confident that if their current debts and the key operating contracts can be restructured they will be able to preserve their key assets and secure the necessary financing to resume operations in a profitable and responsible fashion. In the event a restructuring plan cannot be achieved on acceptable terms the Applicants will seek a sale of all or part of their assets under the supervision of the Court in these proceedings.

9. To assist the Court, the following table lists the headings under which my evidence is organized, with related page references.

B. CORPORATE STRUCTURE

10. LIMH is incorporated in the Province of Ontario pursuant to articles of incorporation dated May 17, 2007 under the *Business Corporations Act* (Ontario), R.S.O. 1990 c.B.16 (the "**OBCA**"). LIMH completed an initial public offering in 2007 to develop and mine iron ore properties in the Labrador Trough and its shares were listed on the Toronto Stock Exchange.

11. LIM is constituted under the laws of the Province of Ontario pursuant to articles of amalgamation dated November 30, 2007 under the OBCA. LIM is a wholly owned subsidiary of LIMH and acts as the operating company in respect of iron ore properties located within the Province of Newfoundland and Labrador.

12. SMI is incorporated under the laws of Canada pursuant to articles of incorporation dated September 1, 2009 under the *Canada Business Corporations Act*, R.S.C. 1985 c.C.44 (the "**CBCA**"). SMI was formed by LIMH to be the operating company in respect of iron ore properties located within the Province of Québec.

13. Marked as Exhibit "A" to this affidavit is an organization chart showing the corporate relationships among the Applicants and other wholly owned subsidiaries of LIMH.

14. At this time, the proposed consolidation of the proceedings in respect of the Applicants is for administrative purposes only and does not effect a consolidation of the assets and property of the Applicants, including for the purposes of any plan of restructuring or arrangement that may be hereafter proposed. Unless otherwise

ordered by the Court, the Applicants will continue to maintain their separate property and assets.

15. The Applicants' registered and executive offices are located at 220 Bay Street, Toronto, Ontario M5J 2W4.

16. LIMH is a publicly held company the share capital of which consists of an unlimited number of common shares without par value of which 126,323,123 common shares are issued and outstanding. In addition, 13,800,000 warrants and 1,030,000 options to purchase totals of 13,800,000 and 1,030,000 additional common shares, respectively, are issued and outstanding.

17. Prior to February 24, 2015, LIMH's shares were listed on the Toronto Stock Exchange ("**TSX**") under the symbol "LIM". In addition, the 13,800,000 warrants to purchase 13,800,000 additional shares at $1.35 per share referred to above were also listed on the TSX under the symbol "LIM.WT". These 13,800,000 warrants expire on February 13, 2016. In light of LIMH's low market capitalisation, and in contemplation of the application hereunder, LIMH submitted a voluntary delisting application to the TSX which became effective at the close of markets on February 23, 2015. LIMH intends to seek relisting on the TSX or an alternate exchange as part of a restructuring plan contemplated in these proceedings.

18. LIM's share capital consists of an unlimited number of common shares without par value. All of LIM's issued and outstanding common shares are owned by LIMH.

19. SMI's share capital consists of an unlimited number of common shares without par value. All of SMI's issued and outstanding common shares are owned by LIMH.

20. The directors of LIMH are Matthew Coon Come, Eric Cunningham, Gerald Gauthier, D. William Hooley, Danesh Varma and me.

21. As set out above, I am also a director of LIM and SMI. In addition to me, the directors of such companies are Rodney A. Cooper and Richard R.J. Pinkerton.

22. The executive officers of each of the Applicants are:

(a) John F. Kearney, Chairman and Chief Executive Officer;

(b) Rodney A. Cooper, President and Chief Operating Officer;

(c) Richard R.J. Pinkerton, Chief Financial Officer; and

(d) Neil J.F. Steenberg, Secretary.

23. The Applicants currently have 15 full time employees and independent contractors, including 8 at the Applicants' corporate offices and 7 at other locations. At the peak of its mining operations in August 2013 the Applicants had 250 employees and independent contractors, including 75 aboriginal people from local communities, employed at its mine and exploration sites, offices and other locations.

C. THE APPLICANTS' BUSINESS

1. Overview

24. The Applicants' operations are carried out in the central part of the Labrador Trough iron ore region (the "**Schefferville Projects**").

25. The Labrador Trough is one of the major iron ore producing regions in the world and has a history of mining dating to the early 1950s. The Labrador Trough straddles

the boundary between the Province of Newfoundland and Labrador and the Province of Québec.

26. The Schefferville Projects are centered in the Menihek area in the Province of Newfoundland and Labrador around the towns of Schefferville and Kawawachikamach, Québec. Schefferville is a community of about 1,000 people, the majority of whom are Innu of the Matimekush Lac John First Nation. Kawawachikamach ("Kawa"), is a community of 1,000 people, almost all of whom are Naskapi of the Naskapi First Nation. There are no roads connecting Schefferville or Kawa to southern Labrador or to Québec. The Schefferville Projects are connected by a direct railway to the Port of Sept-Îles on the Atlantic Ocean.

27. The Town of Schefferville was established by Iron Ore Company of Canada ("**IOC**") and IOC built the railway. IOC began mining and shipping iron ore from its DSO operations in the Schefferville area in 1954. Over the years, IOC placed more emphasis on the concentrating ores from its larger operations in the Labrador City/Wabush area when markets for the direct shipping Schefferville ores declined. Ultimately, IOC closed its operations in the Schefferville area in 1982.

28. No mining took place in the Schefferville area from the time IOC ceased operations in 1982 until LIM began development work in 2007 and commenced mining operations in 2011.

29. LIM's mine operated seasonally from approximately the beginning of April to the end of November in 2011, 2012 and 2013. The mine operations were shut down each winter from approximately the beginning of December to the end of March.

30. LIM's operations have been funded largely by LIMH which raised capital through public share offerings in December, 2007, March, 2010, April, 2011, March, 2012, November, 2012, and February, 2013.

31. Through these public offerings, LIMH raised total gross proceeds (before underwriting commissions and offering expenses) of $342,620,728. To date, a total of approximately $270 million has been loaned by LIMH to LIM on an unsecured basis making LIMH the largest creditor (unsecured) of LIM.

32. As described in further detail below, with the exception of limited security interests granted over certain iron ore stockpiles of LIM and SMI, over LIM's fleet of rail cars and in respect of certain capital leases, all of the Applicants' obligations are unsecured.

2. Properties – The Schefferville Projects

33. The Schefferville Projects consist of:

(a) the James mine ("**James Mine**") which was in production until November, 2013 and adjacent Stage 1 deposits;

(b) the Silver Yards processing facility ("**Silver Yards**");

(c) the Houston property ("**Houston**");

(d) the Howse property ("**Howse**"), now held in a joint venture with Tata Steel Minerals Canada Limited ("**TSMC**"), a subsidiary of Tata Steel; and

(e) other iron ore properties in the vicinity of Schefferville and Menihek that are subject to further exploration and development.

Each of these projects is described in more detail below. Marked as **Exhibit "B"** to this affidavit is a location map illustrating the geographic location of the Schefferville Projects.

34. The Schefferville Projects comprise (i) four mining leases covering approximately 510 hectares, eleven surface leases covering approximately 2,008 hectares and 25 mineral rights licences covering approximately 15,650 hectares located in Newfoundland and Labrador and held by LIM, and (ii) 447 mining claims covering approximately 4,342 hectares located in the Province of Québec and held by SMI.

35. The properties comprising the Schefferville Projects are subject to royalties in favour of former holders as follows: (i) in the case of properties in Newfoundland and Labrador, 3% of the selling price of iron ore produced and shipped from such properties subject to maximum rates of US$1.50 per tonne for properties near existing infrastructure, including the James Mine and Houston, to a low of US$0.50 per tonne for certain properties that are further away from infrastructure and (ii) in the case of properties in Québec, $2.00 per tonne of iron ore produced and shipped from such properties.

36. As at March 31, 2014, the Applicants had measured and indicated mineral resources, as defined in *National Instrument NI43-101 – Standards of Disclosure for Mineral Projects of the Canadian Securities Administrators* (**"NI 43-101"**), totaling approximately 54.8 million tonnes DSO at an average grade of 56.8% iron (**"Fe"**) and inferred taconite mineral resources totalling approximately 620 million tonnes at an average grade of 31.8% Fe at the Schefferville Projects. In addition, the Applicants had

approximately 4.8 million tonnes of inferred DSO resources at an average grade of 55.7% Fe.

37. The Applicants also hold previously-mined stockpiles, located within 15 km of Silver Yards, with a NI 43-101 compliant, indicated mineral resource of approximately 1.15 million tonnes at an average grade of 48.6% Fe.

38. Subject to available financing and the successful restructuring of its current debts and cost structure, the Applicants plan to develop and mine the various Schefferville Projects in stages as follows:

Houston Project

39. The Houston deposit (the "**Houston Project**") is situated in Labrador, about 15 km southeast of the Applicants' James Mine and Silver Yards processing plants and approximately 20 km from Schefferville.

40. The Houston deposit contains an independently estimated measured and indicated resource of 40.6 million tonnes at an average grade of 57.6% Fe. The Houston ore is harder than the James ore and will result in the production of a larger proportion of premium priced, lump product. The expected grade of this premium product is 62% Fe in the initial years and between 58% to 62% Fe as ore is extracted from the deeper parts of the deposits in later years depending on run-of-mine grade.

41. The Houston Project is considered to have an 8 to 10 year mine life at an annual production rate of two to three million tonnes.

42. It is anticipated that development of the Houston Project will be undertaken in phases, subject to the availability of financing. The development will include construction of a haulage road, mine infrastructure, rail siding and related facilities.

43. Current plans are to process the ore by dry screening at the mine site and haul the ore from Houston to Silver Yards, or to a new Houston rail siding, where it will be loaded onto railcars. The haulage distance from Houston to Silver Yards is approximately 20 km. Upon completion of a new rail siding at Houston, ore will be loaded directly onto railcars at Houston.

44. It is anticipated that should the development of Houston be undertaken and become fully operational, a total of approximately 350 jobs will be created, including approximately 315 jobs (includes contractors) at the mine site and in the Schefferville area, approximately 20 jobs at the Applicants' head office and approximately 15 jobs in other locations.

James Mine Project

45. The James Mine Project was LIM's first mining operation and comprises the James Mine and adjacent satellite deposits and historical stockpiles. These deposits are closest to existing facilities and infrastructure at Silver Yards within an area identified by the Applicants as the Central Zone.

46. LIM carried out mining operations at the James Mine in 2011, 2012 and 2013. The Applicants have no plans for further mining at the James Mine in the immediate future as its economic resources have been mined out.

47. Future mining from other Stage 1 properties could involve the sequential development of a number of smaller satellite deposits within a 15 km radius of Silver Yards, subject to detailed engineering, design, environmental assessment and permitting.

Howse Project

48. The Howse Project comprises two mineral rights licenses covering 975 hectares located in Labrador, about 25 km north of the James Mine and adjacent to TSMC's Timmins Area mines and new processing plant.

49. The Howse deposit is subject to a joint venture agreement dated as of August 28, 2013 with TSMC (the "**Howse JV Agreement**"). Pursuant to the Howse JV Agreement, a wholly-owned subsidiary of TSMC acquired an initial 51% participating interest in the project for $30 million, and is the operator of the project. TSMC has the right to increase its interest to 70% by funding the next stage of expenditure of $23.5 million whereupon LIM's participation in the project will be diluted to 30%.

50. As part of a strategic relationship between LIM and TSMC, announced March 12, 2013, the two companies have been co-operating with each other in various aspects of their respective iron ore operations in the Schefferville area. The strategic relationship includes multi-part co-operation agreements in areas of logistics, property rationalization and various ancillary mutual support and potential off-take arrangements. As part of the logistics agreements, LIM and TSMC formalized arrangements for construction of a new rail line that extends the rail line from LIM's Silver Yards to TSMC's new Timmins Area processing plant and thus connects both companies to the TSH main rail line.

51. Under the Howse JV Agreement, TSMC has the right to purchase LIM's participating interest in the joint venture for fair market value in certain circumstances including, the taking of any proceedings with respect to a compromise or arrangement, or a change in control of LIM or LIMH.

52. On March 31, 2015 LIM and LIMH completed an agreement with TSMC and TSMC's wholly-owned subsidiary for the sale of LIM's remaining interest in the Howse Project for an agreed sale price of $5.0 million

53. LIM and LIMH together with their respective boards of directors believe the agreed sale price of $5.0 million is a fair consideration and this transaction was the best available way to monetize a non-core asset for the following reasons:

(a) A minority interest in the Howse Project is illiquid and not considered to be readily marketable to any third party having regard to contractual restrictions contained in the Howse JV Agreement including TSMC`s right to purchase LIM`s interest upon the taking of any proceedings with respect to a compromise or arrangement and rights of first refusal and drag along rights in favour of TSMC in the event of a sale to a third party.

(b) LIM holds a minority interest in the project and will have to contribute its proportionate share of pre-production and production capital costs prior to realizing any revenue from the project. Failure to so contribute will result in dilution of LIM's interest;

(c) The prevailing unfavourable price conditions within the global market for iron ore will likely limit a higher current valuation for the Howse Project;

Elizabeth Taconite Project

54. The Elizabeth Taconite Project, comprising two adjacent deposit areas (Elizabeth 1 and Elizabeth 2), is an early stage exploration project located approximately four km west of the James Mine. Elizabeth 1 is estimated to have NI 43-101 compliant inferred resources of approximately 620 million tonnes at an average grade of 31.8% Fe. There is significant potential for resource expansion as the deposit remains open along strike to the northwest and southeast.

55. The Elizabeth Taconite mineralisation is not DSO and would require further upgrading through a concentrator involving a major capital investment to produce a saleable iron ore product.

56. LIM considers that on a preliminary basis and subject to further resource definition, available financing and a favourable world iron ore price, the Elizabeth Taconite Project might support iron ore concentrate production substantially in line with LIM's reserved port capacity for possibly several decades.

3. Mining Operations

James Mine

57. During LIM's 2011, 2012 and 2013 operating years, mining activities took place at the James Mine. During this time, LIM mined a total of approximately 4.55 million tonnes of ore and removed 8.2 million tonnes of waste from the James open pit.

58. During 2013, some initial mining also took place at the Redmond Mine (205,000 tonnes).

59. Mining was conducted by Grey Rock Services Inc. ("**Grey Rock**"), a mining contractor and operator, under a Mining Services Agreement between LIM and Innu Municipal Limited Partnership, a partnership between Municipal Enterprises Limited and the Innu Nation of Labrador, dated May 1, 2011.

60. The Silver Yards processing facilities are located approximately one km from the James Mine and consist of dry and wet beneficiation plants, laboratory, maintenance facilities, with hydroelectric grid connection and other infrastructure, including rail loading facilities. To date, LIM has invested approximately $86.7 million in Silver Yards plant and equipment.

61. LIM's processing plants at Silver Yards have been upgraded and expanded since their first use in 2011. In addition to the original wet plant (which was expanded), a dry screening plant was added to increase capacity and to provide flexibility in treating different ore types. In 2013, the facility was also connected to existing hydroelectric grid power.

Houston

62. The Houston Project is planned to form the core of the Applicants' operations for approximately the next decade. However, as a result of the Applicants' current financial position, the Applicants need new financing and the restructuring of their current debts and operational costs in order to bring the Houston Project into production.

63. Subject to available financing, the development plan for Houston is relatively simple. The major component consists of constructing an 8 km gravel road, including a bridge over a river crossing. The new road will connect to an existing road which leads

to the Silver Yards facility. The distance by road from Houston to Silver Yards is approximately 20 km. Including initial mine development, the initial capital investment to develop the Houston Mine is expected to be approximately $20 million.

64. During 2014, the Houston development plan was revised in response to lower iron ore prices and in order to reduce up-front capital. The revised plan is based on lower-cost dry crushing and screening only, with deferral of the originally proposed wet plant. The Silver Yards wet plant will be maintained in standby condition and may be re-commissioned to process lower grade plant feed from Houston and, potentially, production from other deposits in later years.

65. The development plan also provides for construction of a new rail siding near the Houston Mine. When the rail siding is complete, it will be used in conjunction with the Silver Yards rail siding to increase train loading capacity up to approximately 3 million tonnes per year, and will reduce the operating cost of overland haulage from the Houston Mine to the rail head.

4. *Rail and Port Operations*

66. The majority of Canada's iron ore production, including the Applicants' iron ore production, is exported from the Port of Sept-Îles, Québec. This port is operated by the Port Authority of Sept-Îles and is the second largest port in Canada.

67. The Port of Sept-Îles is situated 650 km down river from Québec City on the north shore of the Gulf of St. Lawrence on the Atlantic Ocean. The Port of Sept-Îles is the largest and most important port for the shipment of iron ore in North America. Each

year, the port handles approximately 28 million tonnes of merchandise, mainly iron ore, approximately 80% of which is destined for the international market.

Rail Operations

68. The Applicants' Schefferville Projects are connected by rail to the Port of Sept-Îles. The iron ore is transported by rail from the Silver Yards processing facilities along LIM's six km rail spur line and connects to the Tshiuetin Rail Transportation Inc. ("**TSH**") railway. The 198 km TSH railway then connects to the Québec North Shore and Labrador Railway ("**QNS&L**") railway at Emeril Junction which runs about 300 km to the Port of Sept-Îles. At the port, the iron ore is unloaded and stockpiled for shipping.

69. The Silver Yards spur line connecting to the TSH railway is operated on LIM's behalf by Western Labrador Rail Services Inc. ("**WLRS**"). In August 2013, LIM agreed with TSMC that this spur line would be extended to link the TSMC project and the Howse deposit to the TSH railway through Silver Yards. This new rail line, which was completed in 2014, is now operational and connects both companies to the TSH main line. It is planned that the entire extended spur line is to be owned and operated by an affiliate of WLRS on behalf of LIM and TSMC.

70. The TSH railway is owned by a consortium of three First Nations: the Naskapi Nation of Kawawachikamach, the Innu of Matimekush-Lac John and the Innu Takuaikan Uashatmak Mani-Utenam. The QNS&L railway is owned by IOC, the majority shareholder of which is Rio Tinto, a global mining company.

71. From the commencement of mining operations in June 2011 through to the end of their third operating year in November 2013, LIM transported approximately 3.9

million wet metric tonnes ("**wmt**") of iron ore products through its rail operations. During the 2013 operating season alone, LIM transported approximately 1.68 million wmt (1.55 million dry metric tonnes ("**dmt**")) through its rail operations. LIM was the primary freight hauler on the TSH line during these years.

72. In June 2012, LIM entered into a new rail transportation agreement with TSH railway (the "**TSH Agreement**"), replacing its previous annual agreement, which provides for the running of LIM's rail cars and leased locomotives, manned by TSH personnel, on the TSH track. The TSH Agreement provides for a tariff with various capacity and volume commitments on the part of each of TSH and LIM.

73. Pursuant to the TSH Agreement, LIM agreed to make contributions towards the costs of TSH's upgrade program on its rail line of up to $25.0 million over four years. . TSMC agreed to make a similar investment.

74. To date, a total of $9.5 million has been contributed by LIM towards the TSH upgrade program.

75. In March 2011, LIM entered into a rail transportation agreement with QNS&L (the "**QNS&L Agreement**") setting out the terms under which QNS&L carries the iron ore in LIM's rail cars from Emeril Junction to Sept-Îles. QNS&L provides the locomotives and operating personnel for LIM's ore haulage on the QNS&L railway.

76. The QNS&L Agreement provides for a tariff with various capacity and volume commitments on the part of each of QNS&L and LIM.

77. LIM has made advance payments under the QNS&L Agreement totaling $15 million, of which $10 million was paid in 2011 and $5 million was paid in 2012. QNS&L

required these advance payments to secure the locomotive equipment and infrastructure capacity to meet LIM's anticipated haulage volumes on the QNS&L rail line. LIM can recover these advance payments from QNS&L by means of a special credit of $3.50/wmt hauled, of which approximately $9.5 million has been recovered to date.

LIM's 'Take or Pay' Obligations

78. Both the TSH Agreement and the QNS&L Agreement (the "**Rail Contracts**") contain minimum haulage obligations whether or not LIM actually transports product on the railways. These 'take-or-pay' obligations create significant long term obligations for LIM and cannot be avoided simply by shutting down operations for a given period.

79. The QNS&L Agreement and the TSH Agreement were negotiated in an era of much higher iron ore prices than prevail today and these minimum haulage obligations have proven difficult to meet, especially in the months of April and November when weather-related issues sometimes truncate the railing period.

80. As such, the 'take-or-pay' obligations have significantly increased LIM's unit operating costs in months where the minimum tonnage is not met. These 'take-or-pay' obligations have contributed significantly to the Applicants' operating losses.

Port Operations

81. As described in detail below, LIM signed a two year iron ore sales agreement with IOC in 2013, replacing yearly agreements signed for 2011 and 2012. IOC handles all of the iron ore through its port facilities at Sept-Îles.

82. Pursuant to a July 2012 long-term customer contract with the Port Authority of Sept-Îles (the "**Port Authority**"), LIMH has reserved ship loading capacity for LIM of 5 million tonnes per year, with the right to secure additional residual capacity at a new multi-user dock facility which is under construction in the Port. Under this agreement, LIMH made a first advance payment of $6.4 million to the Port Authority and agreed to a second, final advance payment of $6.4 million.

83. These advance payments will be credited as discounts against future port wharfage and shipping fees until such time as the cumulative discounts amount to the buy-in payments. LIMH has deferred payment of the second and final $6.4 million instalment pending resolution by the Port Authority of land access to the new multi-user dock. The Port Authority holds a security interest in LIM's fleet of rail cars as security for payment of this remaining $6.4 million instalment.

84. In addition, commencing the first month after the port facilities are complete and operational LIM is obliged under this agreement to pay discounted wharfage and shipping fees on 50% of its annual, 5.0 million tonne reserved capacity in equal monthly instalments as take or pay tonnage guarantee.

5. *Commodity Price Declines and Operations Difficulties*

85. In early 2011 the world price of iron ore reached a high of US$195/tonne and the price averaged US$ 168 /tonne for 2011. During 2012, there was a major decline in world iron ore prices in the middle of LIM's April to November seasonal operations. In particular, the price dropped from US$147.65/ tonne in April 2012 to US$86.70/tonne in September 2012.

86. This price decline reduced the Applicants' cash flow significantly and required the Applicants to severely curtail operations in 2012. The Applicants experienced operating losses in 2012 of approximately $58.0 million.

87. In 2013, LIM obtained additional working capital financing to fund the resumption of its mining operations. In May 2013, LIM entered into a financing agreement (the "**RBRG Financing Agreement**") with RBRG.

88. Under the terms of the RBRG Financing Agreement, RBRG advanced a pre-payment of US$35 million to LIM. The pre-payment was intended to be repaid through the proceeds of LIM's committed sales of 3.5 million tonnes of iron ore shipments between August 2013 and December 2014. In consideration for the pre-payment, RBRG was granted a security interest over certain iron ore stockpiles owned by LIM and by SMI. Both LIMH and SMI have guaranteed LIM's obligations under the RBRG Financing Agreement.

89. In May 2013, LIM entered into a two-year iron ore sales agreement with IOC for the 2013 and 2014 operating seasons (the "**IOC Sales Agreement**"). At the same time, IOC entered into a sales agreement with RBRG.

90. Pursuant to the IOC Sales Agreement and prior to suspending operations, LIM sold all of its iron ore to IOC who, in turn, re-sold it to RBRG.

91. During 2013 operations, as mining went deeper in the James open pit, both the grade and the consistency of the ore began to fall. Among other things:

(a) the iron content of some of the shipments was lower than standard benchmark levels (typically 62% Fe; and

(b) the silica content of the shipments was generally higher than the 4.5% threshold).

92. This reduction in grade and consistency created difficulties in plant throughput and product quality and resulted in discounts being applied to the price of LIM's iron ore products, which negatively impacted revenues. As a result, even though iron ore prices held up in the US $130 to $140/tonne range during 2013, the Applicants were unable to generate positive cash flow during the 2013 operating season and experienced operating losses of approximately $91.2 million for the 2013 year.

93. In 2014, the iron ore price declined nearly 50% to approximately US $66.00/tonne by late December, 2014 primarily as a result of excess supply from large Australian producers to the China market. LIM did not resume mining operations in 2014 due to the deteriorating iron ore market conditions and particularly in the context of its high operating costs. The iron ore price has continued to decline during the 2015 year to date dropping below US$60 /tonne. By the end of March, 2015 the price was approximately $US52/tonne. Marked as **Exhibit "C"** to this affidavit is an annotated chart of the iron ore spot prices for the years 2009 to 2014 and year-to-date. The

principal reason for the decline in iron ore prices is a very significant increase in supply from Australian iron ore producers being sold in the China market.

94. The presently depressed price of iron ore, operational problems in 2012 and 2013, together with significant capital investment for plant upgrades and expansion at Silver Yards, have put considerable strain on the Applicants' cash resources.

95. At December 31, 2013, a total of 1,663,000 wet tonnes of iron ore had been delivered under the RBRG Financing Agreement, resulting in US$14.4 million credited against the advance payment. No iron ore was delivered under the RBRG Financing Agreement in 2014. Accordingly, there remains a balance to be repaid under the RBRG Financing Agreement of US$20.6 million, excluding potential interest and penalties claimed by RBRG.

96. The iron ore mining industry within the Labrador Trough area of western Labrador and eastern Quebec, including the Applicants' Schefferville Projects, is a major contributor to the economy of communities in the area. In addition to the suspension of LIM's operations in the Schefferville area, depressed iron ore prices and high operating and transportation costs have led to the closure of the larger Wabush mine and the Bloom Lake mine, both of which are located near Labrador City and owned by Cliffs Natural Resources of the United States, with the loss of up to 900 full time jobs. Operations at the Wabush and Bloom Lake mines utilized the same QNS&L railway and many of the same contractors and suppliers as LIM's Schefferville operations. On November 19, 2014 Cliffs Natural Resources announced that it was exiting the iron ore business in Canada and confirmed the cessation of iron ore production at Bloom Lake on January 2, 2015. On January 27th, 2015 Cliffs Natural

Resources announced that its Canadian operating subsidiaries had applied for and obtained an order under the CCAA for protection from their creditors.

6. *Community Relations and First Nations Agreements*

97. The properties comprising the Schefferville Projects are located in an area over which different First Nations assert claims for traditional aboriginal rights. These include claims by the Innu of Matimekush- Lac John (Schefferville), the Innu of Uashat Mak Mani-Utenam (Sept-Îles), the Naskapi Nation of Kawawachikamach (near Schefferville) and the Innu Nation of Labrador.

98. The Applicants have entered into Impact Benefit Agreements ("**IBAs**") with the Innu Nation of Labrador (July, 2008), the Naskapi Nation of Kawawachikamach (September, 2010), the Innu of Matimekush-Lac John (Schefferville) (June, 2011), and the Innu Takuaikan Uashat Mak Mani-Utenam (Sept-Îles) (February, 2012) with respect to the development and operation of the Schefferville Projects.

99. The Applicants have also entered into an Economic Partnership Agreement (December, 2012) with the NunatuKavut Community Council, representing the Southern Inuit of Labrador.

100. Under the IBAs and the Economic Partnership Agreement, the Applicants have agreed to use their efforts to provide employment and training opportunities for members of these communities and business opportunities for local aboriginal-owned and operated businesses.

101. The Applicants also agreed to provide these aboriginal groups with a financial participation in the Schefferville Projects based, in part, on iron ore production. The

Applicants further agreed to take certain social and environmental protection measures to mitigate the impact of the Schefferville Projects on local communities.

102. The Applicants, both on their own and through their contractors, have provided employment for up to 250 people when in full operating mode, including approximately 75 members of these aboriginal communities. In addition, several of the Applicants' operating contracts are with businesses which are owned or partially owned by community members, including the TSH Rail Agreement and the Mining Services Agreement with Innu Municipal Limited Partnership, (a partnership between Municipal Enterprises Limited and the Innu Nation of Labrador).

103. Through the IBAs and Economic Partnership Agreement, the First Nations groups have consented to the Applicants' projects and have agreed to provide the Applicants continuing and unobstructed access to, and equitable enjoyment of, the iron ore projects and its properties.

104. Overall, the Applicants believe that LIM's operations have, and can continue to have, a significant positive economic and social impact on the towns of Schefferville, Québec; Kawawachikamach, Québec; Sept-Îles, Québec; and Goose Bay, Labrador and the surrounding communities, with some positive impact on the towns of Labrador City and Wabush, Labrador. LIM operated the only significant business in the Schefferville area and is a meaningful contributor to the economy of Newfoundland and Labrador, particularly Labrador.

D. CURRENT FINANCIAL POSITION

105. The Applicants' financial position and the results of operations are consolidated in LIMH's financial statements which are publicly disclosed in accordance with applicable securities laws. A copy of LIMH's audited consolidated financial statements for the financial year ended March 31, 2014 and its unaudited consolidated financial statements for the nine months ended December 31, 2014 are marked as Exhibit "D" to this affidavit.

106. After recognition of non-cash impairment charges totalling $198,168,728 in the period ending December 31, 2014, the Applicants had current and non-current assets of $3,479,483 and $12,390,450, respectively, and current and non-current liabilities of $65,728,733 and $3,826,211, respectively.

107. Presently, the Applicants have an unrestricted, consolidated cash balance of approximately $5.5 million. The Applicants' banking arrangements together with those of the Applicants' other affiliated companies are operated on a centralized offset banking basis such that all but $1,000 of the available cash balances of each of LIM and SMI are transferred to and held in an operating account in the name of LIMH. Intercompany obligations arising as a result of this system are tracked and recorded in the non-consolidated financial records of each of the Applicants. It is intended that these banking arrangements will continue. Current operations of LIM and SMI have been funded by advances from LIMH which are recorded as intercompany obligations. Intercompany advances by LIMH to LIM and SMI are currently approximately $270.2 million and $21.3 million, respectively.

108. In addition to the intercompany debt owing to LIMH, LIM's most significant creditors are currently:

(a) RBRG (deferred revenue) (approximately US$20.6 million); and

(b) Innu Municipal/Grey Rock and its affiliates (accounts payable) (approximately $15.6 million).

The majority of amounts due to creditors have been outstanding since the end of LIM's operating season in 2013. The creditors have been largely supportive of the Applicants' efforts to restructure their affairs and many have for a period of more than one year and to date continued to provide some goods and services and have not sought to enforce payment or other remedies.

109. The amounts owed to these, and all other creditors, are unsecured except that (i) RBRG holds a security interest in certain iron ore stockpiles owned by LIM and SMI; (ii) the Port Authority holds a security interest in LIM's fleet of rail cars; and (iii) LIM's mine camp and some of the Applicants' office equipment are subject to capital leases. Marked as Exhibit "E" to this affidavit are copies of search results for personal property registrations in the provinces of Ontario, Québec and Newfoundland & Labrador against the Applicants as of March 9, 2015.

110. In light of the current prevailing iron ore price, LIM's ability to operate on a cash-flow positive basis is conditional on the restructuring of its mining, rail and port contracts and other operating costs. In 2013, the Applicants generated negative gross margin of $49,188,203, with rail and port costs accounting for more than 50% of the unit cost of LIM's production. LIM did not resume mining operations in 2014 due in part to these

costs, particularly in the context of deteriorating iron ore market conditions. The Applicants will need a meaningful restructuring of these costs, to be able to resume mining operations in 2015 or in the foreseeable future.

111. In addition, the Applicants must restructure their current payables to a manageable level and obtain financing to fund the capital expenditures and working capital needed to resume mining operations.

E. CURRENT OPERATING PLAN

112. The Applicants have developed an operating plan (the "**Operating Plan**") which addresses both LIM's operating plans for the next mining season (the "**Current Mining Plan**") and longer-term plans. The Operating Plan, based upon three years' operating experience, is designed to balance product quality and quantity and minimize operating costs.

113. At this time, the Applicants do not have the necessary financial resources to re-commence mining operations in 2015. LIM will not be able to implement the Operating Plan unless the Applicants can secure additional financing for capital costs and working capital, and reduce its mining, rail and port infrastructure and other operating costs. If additional financing cannot be secured on a timely basis, LIM will have to again defer re-commencement of its mining operations.

114. The Current Mining Plan contemplates that approximately 1.1 million dmt of iron ore product will be produced from high grade ore (greater than 60% Fe) mined from the Houston deposits in the first year of production. Further, the plan contemplates that the processing of the Houston ores would result in nearly 100% mass yield with about one

third of the product being lump (6-8 mm up to 32 mm in size), which commands a US$10/dmt premium price on the market and two thirds being sinter fine (below 6 mm in size).

115. However, shipping and sale of LIM's iron ore products in its next mining season will depend on when the new haulage road from Houston to Silver Yards and haulage fleet procurement are completed. The construction schedule is estimated to be three to four months from start-up. If the haulage road and fleet procurement are delayed because of the continued lack of working capital financing, the Applicants will have to defer shipping and sales of their product.

116. The Applicants require restructuring of their current accounts payable and new investment or financing facilities to provide necessary working capital to ensure operations can effectively continue and to enable the development of the Houston project in accordance with the Operating Plan.

117. Future operating plans involve the relocation of the dry crushing and screening plant from Silver Yards to Houston and the construction of a new railway siding near the Houston mine thereby reducing the ore haulage requirements and related operating costs.

F. RESTRUCTURING EFFORTS TO DATE

118. Over the past 18 months, the Applicants (working with Canaccord Genuity Corp. ("**Canaccord**")), an independent Canadian investment bank, and, more recently, in consultation with Duff & Phelps, have made significant efforts to identify and negotiate additional financing for capital costs and working capital.

119. Over the same period, the Applicants have met regularly with RBRG to keep it apprised of developments and explore possible new financing arrangements. Through these efforts and after extensive negotiations over several months, the Applicants entered into a non-binding memorandum of understanding ("**MOU**") with RBRG and Gerald, dated November 4, 2014 which contemplated RBRG's agreement to support the Applicants' proposed restructuring and to compromise the debts owed to it on terms to be set out in a support agreement among the Applicants, Gerald and RBRG and the provision by Gerald of interim financing and a conditional mine development credit facility upon implementation of a restructuring. As of the date hereof, these support and financing agreements have not yet been concluded.

120. LIM has also been negotiating with certain suppliers and service providers since the end of its 2013 operating season in an effort to restructure its operating costs. To date, these efforts have been partially successful.

121. These proceedings are necessary to permit the Applicants an opportunity to complete negotiations with their suppliers and service providers to restructure the Applicants' accounts payable, as well as to permit the Applicants a further opportunity to pursue potential sources of financing or other means of effecting a restructuring of their business and operations.

1. *The Search for Capital Investment*

122. The Applicants have pursued a lengthy and extensive process over the past 18 months in attempts to secure new sources of capital investment (the "**Investment Solicitation Process**") including as follows:

(a) Canaccord has led all of LIMH's equity financings since its initial public offering in 2007. Using a confidential information memorandum ("**CIM**"), prepared in conjunction with the Applicants' management, Canaccord approached and provided a CIM to a number of sources of potential capital after they executed confidentiality/non-disclosure agreements ("**NDAs**") and followed up the resulting detailed inquiries;

(b) In 2014, the Applicants had extensive discussions with, and provided detailed operational and corporate information to, a major Chinese international mining and metals trading firm and to a major Indian steel company, both of which also entered into NDAs;

(c) During 2014, the Applicants provided detailed operational and corporate information to, and had discussions with, a major Europe-based international commodities trading and logistics firm, which also entered into an NDA;

(d) During 2014, the Applicants had discussions with and provided detailed operational and corporate information to other developing iron ore producers in the Labrador Trough region and elsewhere under the provisions of NDAs;

(e) The Applicants provided CIMs to a leading international accounting firm for the purpose of engaging with its Sovereign Wealth Fund contacts in the Middle East;

(f) The Applicants provided CIMs to several Toronto-based well respected mine finance executives; and

(g) The Applicants pursued extensive discussions with RBRG and Gerald.

123. To date, the Investment Solicitation Process has not resulted in any definitive proposals other than the transaction described in the MOU executed by RBRG and Gerald on December 1, 2014. The Applicants intend to continue their efforts to secure additional financing, arrange financing for these proceedings, if required, and/or to realize on certain of their assets.

2. *Negotiations with Suppliers and Services Providers*

124. The Applicants have had ongoing discussions with Grey Rock. These discussions have resulted in a broad based understanding for a new unit cost rate structure for future mining operations.

125. The Applicants have also met on numerous occasions with the railway and port service providers to negotiate reductions in the unit tariffs charged and relief from the 'take or pay' obligations in the Rail Contracts. While these discussions have been constructive, the Applicants have not, to date, concluded revised agreements for adequate revisions to the applicable rail and port costs.

126. Negotiations with the key stakeholders described above must be successfully concluded to permit implementation of the Applicants' Operating Plan.

G. THE CCAA PROCEEDINGS

1. *Applicants Meet the Requirements of CCAA*

127. The Applicants are companies to which the CCAA applies because:

(a) each are corporations constituted under the OBCA or the CBCA;

(b) they have consolidated debts in excess of the $5 million statutory requirement in the CCAA; and,

(c) they are insolvent in that consolidated current liabilities exceed their consolidated current assets by approximately $62.2 million, and, but for the commencement of these proceedings, they are unable to meet their obligations as they become due.

128. The Applicants believe that the resumption and continuation of mining operations will be of significant benefit not only to existing suppliers and service providers, but also to the Labrador and Schefferville areas generally and to local businesses and residents, including, predominately, First Nations people. As noted above, the Applicants' contributions to community and cultural activities in the region and the aboriginal communities' equitable financial participation in the Applicants' mining projects are a major positive economic benefit to the region.

2. *Relief Sought*

129. The principal objectives of the Applicants in these proceedings are to: restructure current debts; to preserve the value of the mineral properties; restructure operating costs (including key operating contracts); and position LIM to continue its

operations when that can be done profitably, for the benefit of all their stakeholders. A stay of proceedings is required to enable the Applicants to:

(a) propose a restructuring plan to their creditors with a view to securing agreement to compromise their claims on a basis to be determined;

(b) continue discussions with LIM's major outside creditors, RBRG and Grey Rock with a view to concluding an agreement to compromise their claims;

(c) continue discussions with Gerald with a view to concluding a potential mine development financing generally as contemplated in the MOU;

(d) pursue the restructuring of their key operating contracts;

(e) preserve their business while they pursue and implement the restructuring; and

(f) negotiate interim DIP Financing if and as required to finance the costs of the Applicants' care and maintenance operations during these proceedings.

(g) position the Applicants to identify and negotiate for future financing to support the exit from these proceedings and the resumption of mining operations or, failing that, to establish and implement a process for the sale of their assets under the supervision of the Court.

130. The Applicants believe that the CCAA process provides the Applicants with the opportunity to address LIM's operating costs and liabilities so that the business can restart production on an economic basis through, among other things, restructuring

amounts owing to creditors and providing the Applicants with additional revenue-generating opportunities.

131. Duff & Phelps has consented to act as Monitor of the Applicants in these proceedings and I believe them to be qualified and competent to act as such. Further, Duff & Phelps is not, and has never been, the auditor or accountant of any of the Applicants, nor is it otherwise precluded from being appointed Monitor under s. 11.7(2) of the CCAA. Attached as Exhibit F to this affidavit is the consent of Duff & Phelps to act as Monitor.

132. During the course of this CCAA proceeding, the Applicants intend to make payments for goods and services supplied post–filing as set out in the cash flow projection referred to below and as permitted by the Initial Order.

133. In their present challenging financial circumstances and having regard to the reduction of its staff, LIMH will no longer require its current head office premises and proposes to vacate its current premises. Arrangements have been made with a group of companies which share some common management personnel with the Applicants for some of LIM's remaining personnel to share a portion of the group's sublet premises within the same building as the Applicants' premises on an as needed basis. Other contract personnel of LIM will operate from their own premises.

3. *Charges*

134. It is contemplated that the Monitor, counsel to the Monitor, and counsel to the Applicants would be granted a first priority Court-ordered charge up to a maximum amount of $500,000 on the assets, property and undertakings of the Applicants in

priority to all other charges (the "**Administration Charge**"), in respect of their respective fees and disbursements in connection with these proceedings. The Applicants believe the Administration Charge is fair and reasonable in the circumstances.

135. The Applicants require the expertise, knowledge and continuing participation of the proposed beneficiaries of the Administration Charge in order to complete a successful restructuring. I believe the Administration Charge is necessary to ensure their continued participation, particularly in light of the Applicants' current liquidity position.

136. It is contemplated that the directors and officers of the Applicants would be granted a second priority Court-ordered charge on the assets, property and undertakings of the Applicants in priority to all other charges other than the Administration Charge (the "**Directors Charge**") up to a maximum amount of $300,000 as security for certain indemnities contemplated in the Initial Order. The amount of the Directors' Charge has been calculated based on the estimated prospective exposure of the Applicants' directors and officers in the event of a sudden shut-down of the Applicants' business and operations. The Applicants believe the Directors' Charge is fair and reasonable in the circumstances.

137. A successful restructuring of the Applicants will only be possible with the continued participation of the Applicants' directors and officers who have provided and will continue to provide strategic advice and guidance which has been essential to the Applicants in connection with the ongoing operation of the business and the formulation and implementation of a restructuring plan. These individuals have specialized expertise and relationships with the Applicants' stakeholders and potential third party

financiers, investors and purchasers. In addition, the Applicants' directors and officers have significant knowledge of the Applicants' business and operations that cannot be easily replicated or replaced.

138. It is my understanding that in certain circumstances, directors and officers can be held personally liable for certain of the Applicants' obligations.

139. LIMH maintains an insurance policy in respect of the potential liability of the Applicants' directors and officers (the "**D&O Insurance Policy**"). The D&O Insurance Policy insures the directors and officers of the Applicants for certain claims that may arise against them in their capacity as directors and/or officers of the Applicants. However, the D&O Insurance Policy contains several exclusions and limitations to the coverage provided, and there is a potential for there to be insufficient coverage in respect of the potential liabilities of the Applicants' directors and officers.

140. The directors and officers of the Applicants have expressed their desire for certainty with respect to potential personal liability if they are to continue in their current capacities during a CCAA proceeding.

4. *Funding During the Proceedings*

141. As set out in the cash flow forecast appended to the report of the Monitor, the Applicants' principal use of cash during these proceedings will consist of the payment of ongoing day-to-day operational expenses, such as standby and care and maintenance costs, security and environmental management and technical planning at its Schefferville Projects, management salaries and fees for the individuals providing services to the Applicants, office related expenses, and professional fees and

disbursements in connection with these CCAA proceedings, including invoices for services rendered prior to the commencement of these proceedings.

142. As indicated in the cash flow forecast, the Applicants are not expected to operate during these proceedings and will therefore not be generating any revenue. The Applicants project that they will have sufficient cash to fund their business operations and these proceedings for the foreseeable future. It may be necessary in the future for the Applicants to secure DIP Financing or monetize certain assets to fund their operating costs and other expenses while they seek a restructuring, which may include a sale of some or all of the business. The Applicants are seeking to complete these proceedings as quickly as reasonably possible in order to minimize restructuring costs and the impact on the Applicants' business.

H. CONCLUSION

143. The Applicants own very extensive iron ore resources, processing plants and equipment and rail infrastructure and facilities but are currently in a very challenging financial position. The Applicants believe that an orderly and expedited CCAA process that enables (i) the restructuring of the Applicants' debts, (ii) the restructuring of certain of their operating contracts, (iii) the securing of DIP Financing if and as required, and (iv) the securing of exit financing is in the best interest of all of the financial stakeholders of the Applicants because it will position the Applicants to resume mining operations as soon as economic conditions warrant or maximize the recoveries associated with the Applicants' business. The Applicants believe that the current depressed iron ore price cannot continue indefinitely and that the price of iron ore will recover to more reasonable levels as world demand catches up with supply and current excess supply is

absorbed by continued economic growth in China and other developing regions. The resumption of mining operations by the Applicants will be of significant economic and social benefit to the various communities, including First Nations, where they operate. In the alternative to the foregoing, the implementation of an orderly asset sale process under the supervision of the Court will maximize value for the benefit for all stakeholders.

SWORN BEFORE ME, at the City of Toronto, in the Province of Ontario, this 31st day of March, 2015

A Commissioner, etc.

JOHN F. KEARNEY

This and the following 92 pages is Exhibit B to

The Affidavit of John F. Kearney

Sworn before me on the 3rd day of November, 2016

A Barrister in and for the Province
of Newfoundland and Labrador

A barrister, NL

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.

NOVEMBER 3, 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, 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 Unscheduled 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, resiliation, termination or breach by such Applicant on or after the Filing Date of any contract, lease or other agreement whether written or oral;

"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 six Directors, including three directors who are directors or officers of LIMH, and three directors (initially nominated by LIMH) who are independent of LIMH; and,

vi. the constitution of the board of directors of RoyaltyCo, to be fixed at six directors, including three directors who are directors or officers of LIMH, and three directors (initially nominated by LIMH) 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 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 FORM[1]

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

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

With a copy to each of:

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

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 Iles 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 Iles 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 Iles 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 property 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 SMI, 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 å 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 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

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 and 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 and 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: