

CANADA

PROVINCE OF QUÉBEC
DISTRICT OF MONTRÉAL

N°: 500-11-048114-157

SUPERIOR COURT

Commercial Division

(Sitting as a court designated pursuant to the *Companies' Creditors Arrangement Act*, R.S.C., c. 36, as amended)

**IN THE MATTER OF THE PLAN OF COMPROMISE OR
ARRANGEMENT OF:**

BLOOM LAKE GENERAL PARTNER LIMITED

QUINTO MINING CORPORATION

CLIFFS QUÉBEC IRON MINING ULC

**THE BLOOM LAKE IRON ORE MINE LIMITED
PARTNERSHIP**

BLOOM LAKE RAILWAY COMPANY LIMITED

Petitioners

-and-

QUÉBEC IRON ORE INC.

CHAMPION IRON LIMITED

Mises-en-cause

-and-

**THE REGISTRAR OF DEEDS FOR THE PROVINCE OF
NEWFOUNDLAND AND LABRADOR**

**THE LAND REGISTRAR FOR THE REGISTRY OFFICE
FOR THE REGISTRATION DIVISION OF SAGUENAY**

**THE REGISTRAR OF THE PUBLIC REGISTER OF
REAL AND IMMOVABLE MINING RIGHTS KEPT BY
THE MINISTÈRE DE L'ÉNERGIE ET DES
RESSOURCES NATURELLES (QUÉBEC)**

**THE REGISTRAR OF THE REGISTER OF PERSONAL
AND MOVABLE REAL RIGHTS (QUÉBEC)**

Mises-en-cause

-and-

FTI CONSULTING CANADA INC.

Monitor

**MOTION FOR THE ISSUANCE OF AN APPROVAL AND VESTING ORDER
WITH RESPECT TO THE SALE OF CERTAIN ASSETS**

(Sections 11 and 36 *ff.* of the *Companies' Creditors Arrangement Act*)

TO THE HONOURABLE STEPHEN W. HAMILTON, J.S.C. OR ONE OF THE HONOURABLE JUDGES OF THE SUPERIOR COURT, SITTING IN COMMERCIAL DIVISION, IN AND FOR THE DISTRICT OF MONTRÉAL, THE PETITIONERS SUBMIT:

1. BACKGROUND

1. On January 27, 2015, Mr. Justice Martin Castonguay, J.S.C., issued an Initial Order (the "**Bloom Lake Initial Order**") commencing these proceedings (the "**CCAA Proceedings**") pursuant to the *Companies' Creditors Arrangement Act* (the "**CCAA**") in respect of Bloom Lake General Partner Limited ("**Bloom Lake GP**"), Quinto Mining Corporation ("**Quinto**"), 8568391 Canada Limited, Cliffs Québec Iron Mining ULC ("**CQIM**"), The Bloom Lake Iron Ore Mine Limited Partnership ("**Bloom Lake LP**") and Bloom Lake Railway Company Limited ("**Bloom Lake Railway Company**" and together with Bloom Lake LP, CQIM, Quinto, 8568391 Canada Limited and Bloom Lake GP, the "**Bloom Lake CCAA Parties**"), as appears from the Bloom Lake Initial Order, which forms part of the Court record and is communicated herewith for convenience as **Exhibit R-1**.
2. On April 17, 2015, Mr. Justice Hamilton issued, *inter alia*, the following orders:
 - a) an Order (the "**Sale Advisor Order**"), *inter alia*, authorizing the engagement of Moelis & Company LLC as the Bloom Lake CCAA Parties' mergers and acquisitions financial advisor (the "**Sale Advisor**"), as appears from a copy of the Sale Advisor Order, which forms part of the Court record and is communicated herewith as **Exhibit R-2**; and
 - b) an Order (the "**SISP Order**"), *inter alia*, approving sale and investor solicitation procedures (the "**SISP**") in respect of the Bloom Lake CCAA Parties, as appears from a copy of the SISP Order, which forms part of the Court record and is communicated herewith as **Exhibit R-3**.
3. The stay period (the "**Bloom Lake Stay Period**") afforded to the Bloom Lake CCAA Parties in the Bloom Lake Initial Order has been extended by further orders of this Court dated February 20, 2015, April 17, 2015, July 30, 2015 and November 5, 2015, all of which form part of the Court record and are communicated *en liasse* collectively herewith as **Exhibit R-4**. The Bloom Lake Stay Period has most recently been extended until January 29, 2016.

2. ORDERS SOUGHT

4. CQIM, Quinto, Bloom Lake GP, Bloom Lake LP and Bloom Lake Railway Company (collectively, the "**Petitioners**") hereby seek the issuance of an Approval and Vesting Order substantially in the form of the draft Approval and Vesting Order communicated herewith as **Exhibit R-5** (the "**Draft Approval and Vesting Order**"), which provides, *inter alia*, for:

- b) the Court's approval of the proposed transaction (the "**Transaction**") contemplated by the Asset Purchase Agreement dated as of December 11, 2015 (the "**Asset Purchase Agreement**") by and between the Petitioners, as vendors (collectively, the "**Vendors**"), the Mise-en-cause Québec Iron Ore Inc., as purchaser (the "**Purchaser**"), and the Mise-en-Cause Champion Iron Limited ("**Champion Iron**"), as guarantor; and
 - c) the vesting of all of the Vendors' right, title and interest in and to the Purchased Assets (as defined below) in the Purchaser, free and clear of all encumbrances other than the permitted encumbrances set out in Schedule "B" to the Draft Approval and Vesting Order (the "**Permitted Encumbrances**"), upon the issuance to the Vendors and the Purchaser of a certificate by the Monitor in the form of Schedule "A" to the Draft Approval and Vesting Order (the "**Monitor's Certificate**"), the whole as provided in the Asset Purchase Agreement and as further detailed herein below.
5. A copy of the Asset Purchase Agreement is communicated herewith as **Exhibit R-6**. Unless otherwise defined herein, all initially capitalized terms used in this Motion shall have the meaning given to them in the Asset Purchase Agreement.

3. **OVERVIEW OF THE PROPOSED TRANSACTION**

6. The Transaction represents the divestiture of substantially all of the assets of the Petitioners (other than assets subject to secured financing arrangements) related to (a) the iron ore mine and processing facility located approximately 13 kilometres north of Fermont, Québec, in the Labrador Trough, known as the Bloom Lake mine (the "**Bloom Lake Mine**"); and (b) the provincially regulated short-line railway subject to the laws of Newfoundland & Labrador, known as the Bloom Lake Railway (the "**Bloom Lake Railway**"), comprising a 32 kilometre rail spur contained wholly within Newfoundland and Labrador that connects the Bloom Lake Mine to the railway owned by Northern Land Company Limited (the "**Northern Land Railway**"), the Québec North Shore & Labrador operated railway (the "**QNS&L Railway**"), and ultimately to the railway owned by Arnaud Railway Company (an affiliate of the Petitioners) (the "**Arnaud Railway**").
7. More particularly, the Transaction contemplates the sale of all of the applicable Vendors' right, title and interest in and to the following key assets, among others, of the Vendors (collectively, the "**Purchased Assets**"):
- a) the BM877 lease pursuant to which the Bloom Lake CCAA Parties are entitled to operate the Bloom Lake Mine (the "**Mining Lease**");
 - b) certain mining claims held by Bloom Lake GP, and certain mining claims held jointly by CQIM (1%) and Quinto (99%) known as the "Peppler" and "Lamelee" mining claims (the "**Peppler and Lamelee Claims**"), all located in Québec (such claims, collectively, the "**Mining Claims**");
 - c) interests in certain residential and commercial properties located in Fermont and Normandville, Québec;
 - d) the assets comprising the Bloom Lake Railway; and

- e) certain fixtures, mobile equipment and inventories related to the business of the Bloom Lake Mine.
- 8. The Transaction excludes, *inter alia*, cash, shares of any of subsidiary held by any of the Vendors, certain heavy equipment financed or leased by third parties, all railcars, and any assets of the Wabush CCAA Parties (as defined in the Wabush Initial Order issued on May 20, 2015), including those that are located at the Bloom Lake Mine.
- 9. As set out in greater detail below, the Transaction also contemplates the assumption, performance and discharge by the Purchaser of certain Assumed Liabilities (i) under certain contracts and permits and licenses, (ii) under certain employee plans and to transferred employees, and the Purchaser shall be responsible for all environmental obligations related to the Purchased Assets, whether arising before or after Closing, and for all reclamation obligations related to the Purchased Assets.
- 10. The reclamation obligations have been estimated by the Québec Ministry of Natural Resources to be approximately CDN \$41.7 million.
- 11. The Transaction further contemplates that the Purchaser will replace any surety bonds put in place to secure certain obligations of Bloom Lake CCAA Party or take any other action necessary so that each Vendor Surety Bond is returned or otherwise cancelled at or prior to the Closing. The value of these bonds is approximately CDN \$1.1 million in the aggregate.
- 12. The Consideration to be paid by the Purchaser for the Purchased Assets is set out in section 3.1 of the Asset Purchase Agreement and consists of CDN \$10.5 million in cash (the “**Cash Purchase Price**”), the agreed value of the Assumed Liabilities and the Purchaser becoming responsible for the Environmental Obligations.
- 13. The allocation of the Cash Purchase Price to be paid by the Purchaser for the Purchased Assets as between the various Vendors and classes of assets has been determined by the Purchaser and agreed upon by the Vendors, as set out in Schedule “R” to the Asset Purchase Agreement.

4. THE VENDORS AND THEIR INTERESTS IN THE BLOOM LAKE MINE AND BLOOM LAKE RAILWAY

4.1 CQIM, Bloom Lake GP and Bloom Lake LP

- 14. CQIM is an unlimited liability British Columbia company, with a registered office located at 595 Burrard Street, P.O. Box 49314, Three Bentall Centre, Suite 2600, Vancouver, British Columbia, as appears from the company profile communicated as **Exhibit R-7**.
- 15. CQIM owns 82.848% of the shares of Bloom Lake GP and 82.848% of the limited partnership units of Bloom Lake LP. These interests are Excluded Assets under the Asset Purchase Agreement.
- 16. CQIM also holds a 100% interest in the following subsidiaries: Cliffs Canadian Shared Services Inc., 2313245 Ontario Inc. and Wabush Resources Inc. These interests are Excluded Assets under the Asset Purchase Agreement.

17. The shares of CQIM, formerly Consolidated Thompson Iron Mines Limited, were acquired indirectly by Cliffs Natural Resources Inc. (“**CNR**”) in May 2011, and the ownership interest in the Bloom Lake Mine was acquired as part of that acquisition.
18. Since its acquisition, the Bloom Lake Mine has not been profitable and has suffered significant operating losses. As a result, operations at the Bloom Lake Mine were suspended in the fall of 2014 and the mine was transitioned to care and maintenance mode.
19. Bloom Lake GP is a corporation incorporated pursuant to the laws of Ontario, with its registered office address located at 199 Bay Street, Suite 4000, Toronto, Ontario, as appears from the company profile communicated as **Exhibit R-8**.
20. Bloom Lake GP is the general partner of Bloom Lake LP.
21. Bloom Lake LP is an Ontario limited partnership, as appears from the profile communicated as **Exhibit R-9**. The only business of Bloom Lake LP is the operation of the Bloom Lake Mine.
22. After the Bloom Lake Mine was transitioned to care and maintenance mode, the number of active employees at Bloom Lake Mine fell from approximately 567 to 51. In addition, approximately 265 unionized employees have been placed on lay-off with recall rights in the hope that one or more buyers and/or investors could re-start the operations at the Bloom Lake Mine.
23. As at the date hereof, the current employees of Bloom Lake LP are as set out below. None of the other Bloom Lake CCAA Parties have employees:

Employer	Active Salaried	Active Hourly/ Unionized	Total Active Employees	Non-Active (Leave of Absence/ Leave with Pay)	Hourly on Lay-off subject to recall rights	Total Employees (Salaried, Hourly, Leave, Lay-Off)
Bloom Lake LP	17 (including 1 temporary)	33	51	1 (hourly)	265	316

4.2 Quinto Mining Corporation

24. Quinto is a corporation incorporated pursuant to the laws of British Columbia, with a registered office located at 595 Burrard Street, P.O. Box 49314, Three Bentall Centre, Suite 2600, Vancouver, British Columbia, as it appears from the company profile report communicated herewith as **Exhibit R-10**.
25. Quinto is a wholly-owned subsidiary of CQIM.

26. Substantially all of Quinto's assets are comprised of a 99% interest in the Pepler and Lamelee Claims located in the proximity of the Bloom Lake Mine in Québec. As noted above, these mining claims are included as part of the Purchased Assets.

4.3 Bloom Lake Railway Company

27. Bloom Lake Railway Company is a corporation incorporated pursuant to the laws of Newfoundland & Labrador with a registered office located at 255 Water Street, Suite 1000, St. John's, Newfoundland & Labrador, as appears from the company profile report communicated as **Exhibit R-11**.
28. Bloom Lake Railway Company is a wholly-owned subsidiary of CQIM. Bloom Lake Railway Company owns certain real property in Newfoundland, as well as railway tracks, all of which are included as part of the Purchased Assets.
29. The Bloom Lake Railway is connected to the Bloom Lake Mine by way of a conveyer system for the movement of ore. The Bloom Lake Railway connects the Bloom Lake Mine to the Northern Land Railway, the QNS&L Railway.

5. BLOOM LAKE MINE

30. CNR indirectly acquired Consolidated Thompson Iron Ore Mines Limited, a predecessor to CQIM, and thereby the Bloom Lake Mine and Quinto, for approximately USD \$4.9 billion in 2011.
31. Phase 1 of the Bloom Lake Mine development was commissioned in 2010 prior to its acquisition by CNR. During Phase 1, the following was developed: an open pit iron ore mine, transportation infrastructure including infrastructure related to the Bloom Lake Railway, a concentrator utilizing single stage crushing, and a mill and gravity separator to produce iron ore concentrate.
32. While a significant amount of work has been undertaken in relation of Phase II and a significant amount of Phase II related assets have been acquired, significant additional work would be required to commission Phase II operations. Given the high costs of Phase II, the failure to find a partner to assist with the funding of Phase II, the depressed market for iron ore and the inability to secure third-party funding, the process to commission Phase II was suspended. Also for the same reasons, mining operations were suspended and the Bloom Lake Mine was transitioned into care and maintenance commencing in late 2014.
33. As of December 31, 2013, a total of approximately USD \$1.6 billion had been expended for Phase I and Phase II. At the time of the Bloom Lake Initial Order, the Bloom Lake CCAA Parties estimated that another USD \$1.2 billion would be required to complete Phase II.
34. Extensive efforts were made in 2014 to find one or more buyers or investors for the Bloom Lake CCAA Parties' iron ore business, including the Bloom Lake Mine, contact was made with a number of potential purchasers, including parties who have investments in and/or are operators of similar businesses, and negotiations ensued, but the Bloom Lake CCAA Parties were ultimately unable to complete a transaction for the Bloom Lake Mine prior to filing for protection under the CCAA.

35. According to previsions made by various market analysts, including GFI Iron Ore & Steel's previsions communicated herewith as **Exhibit R-12**, it is forecasted that the price of steel per ton will remain at the extremely low price of USD \$40 per ton until at least the end of 2018. The Bloom Lake CCAA Parties per ton cost of production was significantly higher than USD \$40 for Phase I operations and the projected per ton cost of production under Phase II operations was also significantly higher than USD \$40;
36. The following market factors suggest that the global market for iron ore remains depressed and is unlikely to show any material improvement until the end of 2018:
 - a) the depressed global market for steel, particularly in Asia, and the resulting decrease in the price of iron ore, which price has continued to drop materially since the date of the Bloom Lake Initial Order;
 - b) the global market conditions currently pose and are expected to continue to pose challenges to the development and profitability of iron ore mining projects. Since the date of the Bloom Lake Initial Order, the price of iron ore has dropped at times to below USD \$40 per ton;
 - c) the global market for steel and the stainless steel end market continue to be depressed, and investments in steel-making raw materials and inputs continue to be on a downward trend.
37. Following the issuance of the Bloom lake Initial Order, the Bloom Lake CCAA Parties engaged in the development of the SISP for the sale of and/or investment in, among other things, the Bloom Lake Mine.

6. THE SISP

38. As outlined above, Mr. Justice Hamilton approved the SISP in respect of the Bloom Lake CCAA Parties in April 2015. All initially capitalized terms in this Section 6 shall have the meanings given to them in the SISP, unless otherwise defined herein.
39. The SISP contemplated two phases:
 - a) the first phase of the SISP contemplated delivery of non-binding letters of intent ("**LOIs**") by 5:00 p.m. (Montréal time) May 19, 2015 (the "**LOI Deadline**"); and
 - b) a subset of bidders with LOIs that met certain criteria would be invited to submit binding offers in the second phase by July 16, 2015 at 5:00 p.m. (Montréal time) (the "**Bid Deadline**"), written notice of which was provided to all such qualified bidders and posted on the Monitor's Website.
40. As part of the SISP, the Sales Advisor contacted 104 prospective buyers, sent out NDAs to 102 interested parties and received signed NDAs from 25 parties. The Sales Advisor then provided parties that had signed the NDAs with an asset overview presentation and offered access to a virtual data room (the "**Data Room**") and site visits.
41. The Data Room was populated to provide various confidential documents and information to interested parties for the purposes of their due diligence. These

documents included the asset overview presentation, a financial model and a feasibility study report, all on an “as-is, where-is” basis with no representations or warranties.

42. By the LOI Deadline, a number of LOIs in the form of Sale Proposals had been received for all or parts of the Property and Business of the Bloom Lake CCAA Parties, including for the Bloom Lake Mine and related assets or parts thereof.
43. Promptly following the LOI Deadline, the Bloom Lake CCAA Parties, in consultation with the Sale Advisor and the Monitor, reviewed and assessed the LOIs received in respect of the Property and Business of the Bloom Lake CCAA Parties and other materials submitted by Prospective Bidders.
44. In respect of the assets forming part and related to the Bloom Lake Mine, the Sales Advisor received five LOIs by the LOI Deadline for some or all of the assets of the Bloom Lake Mine from Prospective Bidders, two of which were alternative bids from the same party. All of the LOIs received by the LOI Deadline were in the form of Sale Proposals.
45. A summary of the five LOIs is communicated herewith **under confidential seal** as **Exhibit R-13**. A sealing order is requested with respect to this summary as it contains commercially sensitive information.
46. The Bloom Lake CCAA Parties, in consultation with the Sale Advisor and the Monitor, applied the Sale Proposal LOI Criteria as set out in the SISP to determine whether it would be in the best interest of the applicable Bloom Lake CCAA Parties to permit the Prospective Bidders to continue to participate in the SISP based upon the terms set out in the applicable LOI.
47. The Bloom Lake CCAA Parties, in consultation with the Sale Advisor and the Monitor, determined that all four of the Prospective Bidders that submitted LOIs were Qualified Phase I Bidders.
48. The four Prospective Bidders were thereafter provided an opportunity to complete further due diligence and submit a binding offer in respect of the Sale Proposals set forth in their respective LOIs, for all or a part of the Bloom Lake Mine and related assets.
49. A number of bids were received by the Bid Deadline. Following the Bid Deadline, the Bloom Lake CCAA Parties, in consultation with the Sale Advisor and the Monitor, reviewed and assessed the bids received to determine which qualified as Qualified Bids and which should be pursued. In making such assessment, they considered, among other things, the Sale Proposal Bid Criteria set out in the SISP. The Bloom Lake CCAA Parties also sought a number of clarifications from Qualified Bidders, including the Purchaser.
50. The Purchaser, among other Qualified Phase I Bidders, submitted a Qualified Bid on or before the Bid Deadline.
51. A summary of the Qualified Bids received under SISP by the Bid Deadline is communicated herewith **under confidential seal** as **Exhibit R-14**. A sealing order is requested with respect to this summary as it contains commercially sensitive information.

52. Liquidation proposals had also been sought by the Monitor for the moveable equipment of the Bloom Lake CCAA Parties in parallel to the SISP.
53. The Bloom Lake CCAA Parties, in consultation with the Sale Advisor and the Monitor, determined that the *Purchaser's Qualified Bid* was the highest and best Qualified Bid and entered into negotiations with the Purchaser towards a definitive sale agreement, culminating in the Vendors executing the Asset Purchase Agreement in respect of the Purchased Assets on December 11, 2015.

7. THE ASSET PURCHASE AGREEMENT

7.1 The Purchaser and Champion Iron

54. The Purchaser is a special purpose vehicle incorporated for purposes of purchasing the Purchased Assets. Its parent company, Champion Iron, and affiliates of Champion Iron are engaged in mining operations.
55. Champion Iron is an Australian-based public mining company, whose shares trade on the Toronto Stock Exchange ("**TSX**") and the Australia Stock Exchange ("**ASX**").
56. The Petitioners are informed by Champion Iron that the latter, through a subsidiary, has been working on the development of iron ore deposits in the Labrador Trough (located nearby the Bloom Lake Mine) for more than 10 years.
57. Champion Iron has guaranteed the Purchaser's obligations with respect to the Cash Purchase Price, the applicable sales taxes (if any) and the Cure Costs payable upon Closing under the terms of the Asset Purchase Agreement.

7.2 Consideration

58. The Asset Purchase Agreement contemplates the sale of the Purchased Assets for a Cash Purchase Price of CDN \$10,500,000 and the assumption by the Purchaser, to the exoneration of the Vendors, of certain employee obligations and liabilities under the Assigned Contracts and Permits and Licenses, as further detailed herein below. In addition, the Purchaser is to become responsible, to the exoneration of the Vendors, for all Environmental Obligations related to the Purchased Assets, including the Bloom Lake Mine, whether incurred before or after the Closing. Such environmental obligations include environmental reclamation liabilities assessed by the Government of Québec at approximately CDN \$41,700,000 as well as the replacement of certain bonds securing certain obligations of Bloom Lake totaling approximately CDN \$1,100,00.
58. The Purchased Assets are being sold on an "as is, where is" basis.
59. As part of the consideration under the Asset Purchase Agreement, the Purchaser agreed to assume the Assumed Liabilities which include, among other things, the following:
 - a) all Liabilities relating to the Purchased Assets arising on or after the Closing Time;

- b) all Liabilities under the Assigned Contracts and Permits and Licenses (in each case to the extent such Assigned Contract or Permit and License is effectively assigned to the Purchaser) accruing and arising on or after the Closing Time;
 - c) all Liabilities owing to Transferred Employees in accordance with the Asset Purchase Agreement; and
 - d) all Liabilities under the Assumed Employee Plans
60. To the extent that Cure Costs are payable with respect to any Assigned Contract, the Purchaser undertakes to pay all such Cure Costs, which shall be payable either directly to the applicable counterparty or to the Monitor, at or prior to Closing.

7.3 Conditions to Closing

61. The Closing of the Transaction contemplated by the Asset Purchase Agreement is conditional on a number of conditions, set forth in Section 8.1 and Section 8.2 thereof, including Court approval of the Asset Purchase Agreement, as contemplated by the Draft Approval and Vesting Order sought herein, by no later than February 15, 2016.
62. In addition to Court approval of the Draft Approval and Vesting Order, the Vendors and the Purchaser require that, among other things, the following approvals be obtained prior to the Closing of the Transaction:
- a) approval by the Commissioner of Competition;
 - b) approval by the Lieutenant Governor in Council of The Province of Newfoundland and Labrador of the issuance of a permit to operate The Bloom Lake Railway;
 - c) Private Placement Regulatory Approvals, as further detailed below; and
 - d) all necessary approvals to the assignment of the Critical Permits and Licenses, as listed in Schedule "N" to the Asset Purchase Agreement.
63. The Private Placement Regulatory Approvals are required in connection with a private placement of up to CDN \$25,000,000 required to finance the Transaction and working capital.
64. The Private Placement Regulatory Approvals entail the approval by the TSX and ASX, as well as the requisite approval by those shareholders of Champion Iron entitled to vote at a shareholders' meeting.
65. The Petitioners understand that a significant portion of the private placement will be with a party controlled by Champion Iron's Chairman and CEO, Michael O'Keeffe, and one other party dealing at arm's length, who have agreed to invest up to CDN \$15,000,000, as communicated in a press release issued by Champion Iron on December 14, 2015 (the "**Champion Press Release**"), attached herewith as **Exhibit R-15**.
66. Based on the timeline set out in Exhibit "B" to the Asset Purchase Agreement, such process to raise funds is intended to be completed within approximately 60 days from the date of the Court's issuance of the Approval and Vesting Order sought herein.

67. The Petitioners have no reason to believe that the approvals listed in paragraph 62 hereof will not be obtained.
68. In addition to the conditions to Closing listed above, the Vendors require that a Certificate of Release, as further described in subsection 8.2(4) of the Asset Purchase Agreement, be received by and satisfactory in form and substance to Bloom Lake GP or Bloom Lake LP, as applicable, which certificate to be issued by the Ministry representing the Government of the Province of Québec pursuant to Section 232.10 of the *Mining Act* (Québec) in respect of all properties, concessions, leases or interests forming either Owned Real Property or real property subject to Real Property Leases, as governed by Sections 232.1 to 232.7 of the *Mining Act* (Québec), and such certificate shall contain a full and complete release of the applicable Vendors and their affiliates from their obligations set out in Sections 232.1 to 232.7 of the *Mining Act* (Québec), from the Closing Time onward.
69. With respect to contracts to be assigned under the Asset Purchase Agreement, the Vendors, with the assistance of the Purchaser, are required to use commercially reasonable efforts to obtain the consent of the counterparty thereto. If consent to assign any Assigned Contract is not obtained prior to Closing, then the Vendors and the Purchaser will use their commercially reasonable efforts to obtain necessary consents or approvals to the assignment or transfer of such Assigned Contract to the Purchaser as soon as practicable following Closing. There are only three Assigned Contracts under the Asset Purchase Agreement. Assignment of the Assigned Contracts is not a condition to Closing.
70. With respect to the transfer and assignment of Permits and Licenses, the Vendors, with the assistance of the Purchaser, shall use commercially reasonable efforts to obtain all necessary consents or approvals to assign or otherwise transfer such Permits and Licenses to the Purchaser upon Closing. If consent to assign any such Permits or Licenses (except for a Critical Permit and License, as defined and described in the Asset Purchase Agreement and listed in Schedule “N” thereto) is not obtained prior to Closing, then the Vendors and the Purchaser will use their commercially reasonable efforts to obtain necessary consents or approvals to the assignment or transfer of such Permits or Licenses to the Purchaser as soon as practicable following Closing. The Permits and Licenses other than the Critical Permits and Licenses are listed in Schedule “L” to the Asset Purchase Agreement. Transfer and assignment of the Permits and Licenses, other than the Critical Permits and Licenses, is not a condition to Closing.

7.4 Access Agreement

71. The Purchaser and the Vendors have also agreed to enter into an access agreement in substantially the form of the access agreement attached to the Asset Purchase Agreement as Exhibit “A” (the “**Access Agreement**”). All initially capitalized terms used in this Subsection 7.4 shall have the meanings given to them in the Access Agreement.
72. The key terms of the Access Agreement are as follows:
- a) the Bloom Lake CCAA Parties, the Wabush CCAA Parties, and certain other persons, including persons who are assisting with the sale of certain Excluded Assets or who are interested in purchasing certain Excluded Assets, as well as lienholders and lessors of Excluded Assets (collectively defined in the Access

Agreement as the “**Access Parties**”), are provided with access rights to the Premises (as defined in the Access Agreement) to conduct the Sales Activities (as defined in the Access Agreement), subject to the terms, conditions and indemnities contained in the Access Agreement;

- b) with respect to the Excluded Assets identified in Schedule “B” of the Access Agreement, other than the Rope Shovel (as defined in the Access Agreement), the applicable Access Parties and their respective Agents can access the Premises for Sale Activities for a period of up to 24 months from Closing. At the end of such period, the Access Parties have the option, at their discretion, to either remove their Excluded Asset out of the Premises within 30 days from the end of the Term (in which case the Access Party shall be entitled to access the Premises during such additional period) or to transfer title to the applicable Excluded Asset to the Purchaser for CDN \$1.00; and
 - c) with respect to the Rope Shovel, the applicable Access Parties and their respective Agents can access the Premises for an additional 12 months if, after the initial 24 month term, the Purchaser elects not to acquire the Rope Shovel at fair market value.
73. It is the Petitioners’ view that the access rights contained in the proposed Access Agreement are fair and reasonable and provide all Access Parties with a reasonable period of time to access the Premises in order to conduct the Sale Activities in respect of the Excluded Assets, which Sale Activities are broadly defined to include the removal thereof.

7.5 Closing Mechanics

74. Pursuant to the Asset Purchase Agreement, the Purchaser has paid CDN \$562,500 to the Monitor as a deposit (the “**Deposit**”). Pursuant to the Asset Purchase Agreement the Deposit will be applied against the Cash Purchase Price upon Closing.
75. The Asset Purchase Agreement also provides that payment of the balance of the Cash Purchase Price, applicable sales taxes which are payable upon Closing (if any) and Cure Costs (unless paid directly by the Purchaser to the counterparty to the applicable Assigned Contracts) shall be paid in full to the Monitor at Closing.
76. Upon receipt of payment in full of the Cash Purchase Price, sales taxes required to be paid at Closing, if any, and Cure Costs payable by the Purchaser on Closing (or evidence that same has been paid by the Purchaser directly to the applicable counterparties), as well as receipt by the Monitor of the Conditions Certificates contemplated in Section 8.3 of the Asset Purchase Agreement, the Monitor shall issue its Monitor’s Certificate forthwith concurrently to the Vendors and Purchaser, at which time Closing shall be deemed to have occurred. The Monitor shall then file, as soon as practicable, a copy of the Monitor’s Certificate with the Court (and shall thereafter provide a true copy of such filed certificate to the Vendors and the Purchaser).
77. The Draft Approval and Vesting Order, among other things:

- a) directs the Monitor to remit such the sale taxes received by it (if any is payable) from the Purchaser to the Vendors, who will then remit those sales taxes in accordance with Applicable Law;
 - b) directs the Monitor to remit Cure Costs received by it from the Purchaser to the applicable counterparties to the Assigned Contracts, where such amounts were not paid directly to such counterparties by the Purchaser upon Closing;
 - c) directs the Monitor to receive and hold the Cash Purchase Price in accordance with the provisions set forth therein and, subject to remittance of Transfer Taxes and Cure Costs, to hold the Proceeds (as defined therein) on behalf of the Vendors pending further order of the Court; and
 - d) requires remittance by the Monitor from the applicable Net Proceeds (as defined therein) of the Sale Advisor's Fee payable to the Sale Advisor.
78. The Transaction is targeted to close by the date which is 60 days following issuance by the Court of the Approval and Vesting Order, and must close no later than 75 days after the date of the issuance by the Court of the Approval and Vesting Order, in each case subject to such extensions as may be mutually agreed upon by the Vendors and the Purchaser.

7.6 Overall Assessment

79. With a view to maximizing realizations for the benefit of all stakeholders, the Bloom Lake CCAA Parties, in consultation with the Monitor, have considered various possible options with respect to the Purchased Assets:
- a) Option 1 – continue to hold the Bloom Lake Mine and the other assets;
 - b) Option 2 – hold the Bloom Lake Mine and related real property and liquidate the equipment;
 - c) Option 3 – abandon the Bloom Lake Mine and related real property and liquidate the equipment;
 - d) Option 4 – close the Transaction.
80. Options 1 and 2 are not considered reasonable due to the significant carrying costs of holding the Bloom Lake Mine. Furthermore, the Petitioners are of the view that simply holding assets, at a considerable cost to the estate, in the hope that such assets might increase in value at some indeterminate point in time, is not an appropriate use of the CCAA.
81. The Petitioners have determined that the current carrying costs of the Bloom Lake Mine are approximately CDN \$1.8 million per month, excluding the payment of applicable municipal taxes which have not been paid since the issuance of the Bloom Lake Initial Order and continue to accrue, and which constitute prior claims conferring a right to follow in accordance with Article 2654.1 of the Quebec Civil Code.

82. With respect to option 3, the liquidation of the equipment would take a significant period of time. The abandonment of the Bloom Lake Mine would also trigger environmental reclamation obligations estimated at more than CDN \$40M. A liquidation analysis will be contained in the report to be provided by the Monitor.
83. According to their business judgment, the Petitioners are satisfied that the sale process of the Bloom Lake Mine and related assets was fairly designed and implemented to maximize the value thereof and the approval of the Asset Purchase Agreement is in the best interests of their stakeholders generally.
84. This sales process was approved by this Court and implemented, upon the direction of the Bloom Lake CCAA Parties, by the Sale Advisor, a reputable and experienced global investment bank, and under the supervision of the Monitor.
85. Following the commencement of the SISP, the Monitor has assisted and advised the Bloom Lake CCAA Parties with respect to the sales process of the Bloom Lake Mine and has been involved in supervising the negotiation of the Asset Purchase Agreement.
86. The Monitor has advised that it will shortly be providing a fulsome report on the sale process of the Bloom Lake Mine and the Asset Purchase Agreement.
87. The Petitioners are satisfied that the Consideration for the sale of the Purchased Assets is reasonable and fair in the circumstances.
88. The Petitioners are also satisfied that the conditions to Closing and the closing mechanics should lead to the Closing of the Transaction, provided this Court grants this Motion, and that the closing risks are minimal.
89. Furthermore, the following notable aspects of the Asset Purchase Agreement support the approval by the Court of the Asset Purchase Agreement and of the Transaction contemplated therein:
 - a) if the Transaction is not completed due to a material breach by the Purchaser of any representation, warranty or covenant contained in the Asset Purchase Agreement, which breach has not been waived by the Vendors, and (i) such breach is not curable and has rendered the satisfaction of any condition in section 8.2 of the Asset Purchase Agreement impossible to satisfy by the Outside Date; or (ii) if such breach is curable, the Vendors have provided written notice of such breach to the Purchaser and such breach has not been cured within 10 days of receipt of such notice; or (iii) such breach has made it impossible for the Private Placement Regulatory Approvals to be obtained by the Outside Date, to the extent the Purchaser has not waived the benefit of the condition set forth in section 8.1(9) of the Asset Purchase Agreement, then the Monitor will retain the Deposit for the benefit of the Vendors;
 - b) the Purchased Assets are being sold on an “as is, where is” basis, without legal warranty;
 - c) the Purchaser is assuming the Assumed Liabilities, which include the Liabilities owing to the Transferred Employees and the Liabilities under the Assumed Employee Plans;

- d) the Purchaser will be responsible for the Environmental Obligations, including those which could otherwise rank in priority to any other claims pursuant to subsection 11.8(8) of the CCAA; and
 - e) the Excluded Assets include all equipment subject to a third party lien or lease agreement, which allows the applicable financing party or lessor to benefit from the value to be obtained for these assets, either through a liquidation thereof by the Bloom Lake CCAA Parties, with the applicable third parties' consent, or by the third parties directly, as well as the equipment and vehicles owned by Wabush Mines and located at the Bloom Lake Mine which can be disposed for the benefit of the creditors, with the benefit of the Access Agreement providing that there will be no occupation or storage costs for Excluded Assets located at the Bloom Lake Mine during a minimum period two-years following the closing;
 - f) the Excluded Assets also include the cash of the Bloom Lake CCAA Parties other assets that have the potential to be monetized for the benefit of their creditors, including the amounts payable by Mason Graphite Corp. to Quinto Mining Corporation and all rights in the funds which are currently the object of the litigation with Beumer Kansas City, LLC; and
 - g) except for CQIM (which has additional assets not forming the Purchased Assets), the Purchased Assets relate only to the Bloom Lake CCAA Parties, giving the opportunity to the CCAA Parties to complete separate sale transactions for other assets (including among other things, the port facilities located at Pointe-Noire, Québec in the Bay of Sept-Îles, Québec, the pellet production facility located on such port facilities as well as the Arnaud railway), the whole the maximize the recovery of the creditors of the CCAA Parties.
90. In addition, the Petitioners submit that the following factors favour the approval of the Asset Purchase Agreement over the liquidation by the Vendors of their equipment and the mothballing of the Bloom Lake Mine until the market improves:
- a) the following market factors suggest that the global market for iron ore remains depressed and is unlikely to show any material improvement until the end of 2018.
 - i) the depressed global market for steel, particularly in Asia, and the resulting decrease in the price of iron ore, which price has continued to drop materially since the date of the Bloom Lake Initial Order;
 - ii) the global market conditions currently pose and are expected to continue to pose challenges to the development and profitability of iron ore mining projects. Since the date of the Bloom Lake Initial Order, the price of iron ore has dropped at times to below USD \$40 per ton; and
 - iii) the global market for steel and the stainless steel end market continue to be depressed, and investments in steel-making raw materials and inputs continue to be on a downward trend.
 - b) as per the cash flow budget of the Bloom Lake CCAA Parties, the monthly cost of the maintaining the Bloom Lake Mine in its current care & maintenance state is

approximately CDN \$1,800,000 a month. Further, the assumption of these care & maintenance costs by the Purchaser following the closing of the proposed Transactions will allow for substantial savings to the Bloom Lake CCAA Parties, in the best interest of their creditors. When considering these savings, the stopping of the accruing of the municipal taxes ranking in priority to the other creditors, the avoidance of potential environmental claims ranking in priority to all creditors and the fact that the Asset Purchase Agreement excludes many assets to be sold or realized separately for the benefit of the creditors, the Transaction result is the option resulting in the highest potential recovery for the creditors.

- c) in addition, the offer received from the Purchaser as part of the SISP at the time of the Phase II Bid Deadline is the only one that contemplated a plan to potentially restart the operations of the Bloom Lake Mine and allow for a going concern of said mine, the whole in the best interest of the stakeholders of the Vendors, including namely its employees.
- d) as mentioned in the Champion Press Release, the Purchaser has developed a mine plan in order to increase the yearly recovery of tons of iron ore and to lower the production costs, allowing the Bloom Lake Mine to become a competitive market player in the medium term.

91. The Petitioners respectfully submit that the factors set out in Section 36 of the CCAA have all been met since notably:

- a) The SISP was approved by the Court and was conducted by a Court-appointed Sale Advisor, with the involvement and oversight of the Monitor. Accordingly, the process that was followed and which led to the Transaction was reasonable under the circumstances;
- b) the Petitioners understand that the Monitor supports the Transaction and will file a report in respect of the motion for the approval of the Transaction;
- c) the Transaction is the best option available for the benefit of the stakeholders generally in the difficult current circumstances, the whole as explained more fully above in the review of the different, albeit limited, options available to the Petitioners;
- d) the consideration to be received for the Purchased Assets is fair and reasonable taking into account their market and potential liquidation value;
- e) the Transaction is also advantageous to a broader constituency of stakeholders interested in avoiding a piecemeal liquidation of assets and favouring the eventual resumption of operations of the Bloom Lake Mine, which would have important social and economic impacts on the City of Fermont and surrounding areas.

8. CONCLUSIONS

92. In light of the foregoing, the Petitioners hereby respectfully seek the issuance of an Order substantially in the form of the Draft Approval and Vesting Order (Exhibit R-5),

which provides for the Court's approval of the Asset Purchase Agreement and of the Transaction contemplated therein.

93. The Petitioners further submit that the notices given of the presentation of the present Motion are proper and sufficient because:
- a) the Petitioners are not aware of any third parties having a lien or charge over the Purchased Assets, save and except for the Permitted Encumbrances, and the charges set out in Schedules "D", "F" and "G" to the Draft Approval and Vesting Order or created by the Orders issued in these CCAA Proceedings;
 - b) save for the Permitted Encumbrances, updated searches conducted at the following registries against the Vendors did not disclose any third parties having registered a security interest over the Vendors' interest in the Purchased Assets, other than those encumbrances which are set out in Schedules "D", "F" and "G" to the Draft Approval and Vesting Order, which are to be discharged as part of the Approval and Vesting Order:
 - i) Land Registry real estate search report (Québec) on the Petitioners' immovable property, communicated herewith as **Exhibit R-16**;
 - ii) RPMRR (Québec) search results summary on the Petitioners' movable property, communicated herewith as **Exhibit R-17**;
 - iii) Personal Property Security Act (Ontario, British Columbia, Newfoundland) search results summary on Petitioners' movable property, communicated herewith as **Exhibit R-18**; and
 - iv) Search results summary from the Public register of real and immovable mining rights granted under the *Mining Act* (Québec) on Petitioners' mining rights, communicated herewith *en liasse* as **Exhibit R-19**.

Copies of the raw search results for each of Exhibits R-16 to R-19 will be available at the hearing of the motion.

94. In light of the foregoing, the Petitioners hereby respectfully seek the issuance of an Order substantially in the form of the Draft Approval and Vesting Order (Exhibit R-5), which provides for, among other things:
- a) the Court's approval of the Transaction; and
 - b) the vesting of all of the Vendors' right, title and interest in and to the Purchased Assets in and with the Purchaser, free and clear of all encumbrances except the Permitted Encumbrances.
95. The Petitioners further submit that the notices given of the presentation of the present Motion are proper and sufficient:
96. The present motion is well founded in fact and in law.

FOR THESE REASONS, MAY IT PLEASE THE COURT TO:

GRANT the present Motion;

ISSUE an order substantially in the form of the Draft Approval and Vesting Order (Exhibit R-5) communicated in support hereof;

WITHOUT COSTS, save and except in case of contestation.

Montréal, December 23, 2015

Blake Cassels & Graydon LLP

BLAKE, CASSELS & GRAYDON LLP
Attorneys for the Petitioners

AFFIDAVIT

I, the undersigned, **CLIFFORD T. SMITH**, the Executive Vice-President and a director of Bloom Lake General Partner Limited and Cliffs Quebec Iron Mining ULC, the President and a director of Bloom Lake Railway Company Limited and a director of Quinto Mining Corporation, having a place of business at 755, Route 389, P.O. Box 2029, Fermont, Québec G0G 1J0, solemnly affirm that all the facts alleged in the present *Motion for the Issuance of an Approval and Vesting Order with respect to the Sale of Assets* are true.

AND I HAVE SIGNED:

CLIFFORD T. SMITH

SOLEMNLY DECLARED before me at
Cleveland, Ohio, on this ____ day of
December, 2015

Notary Public

NOTICE OF PRESENTATION

TO: Service List

AND AFFECTED CREDITORS (Not included in Service List) :

Pro-Sag Mécanique Inc.

c/o Simard Boivin Lemieux S.E.N.C.R.L.
1700, boul. Talbot, suite 420
Saguenay (Québec) G7H 7Y1
Attention : M^{tre} Alain Provencher
Email : a.provencher@sblavocats.com

Bucyrus International Inc.

1100, Milwaukee Avenue, P.O. Box 500,
South Milwaukee, Wisconsin 53172

S. Huot Inc.

1000, Raoul-Jobin
Quebec, QC G1N 4N3

Roynat Inc.

1002, Sherbrooke West
Montréal, QC H3A 3L6

Mécanarc Inc

c/o Cain Lamarre
580, Grande Allée East, Suite 440
Québec, Québec G1R 2K2
Attention: M^{tre} Stéphane Martin
Email: stephane.martin@clcw.ca

G. Doyon Cuisine Inc.

c/o Fasken Martineau
140, Grande-Allée East, 8th Floor
Québec, Québec G1R 5M8
Attention: M^{tre} Mathieu Comeau
Email: mcomeau@fasken.com

Électro Saguenay Ltée

245, rue des Huarts
Alma, Québec G8E 2G1
Email: andrea.tremblay@electrosag.com

Technosoude Inc.

c/o Simard Boivin Lemieux s.e.n.c.r.l.
1700, boul. Talbot, suite 420
Saguenay (Québec) G7H 7Y1
Attention: M^{tre} Alain Provencher
Email: a.provencher@sblavocats.com

E.D. Black
2464, Avro Arrow Drive
Comox, BC V9M 0A6

TAKE NOTICE that the present *Motion for the Issuance of an Approval and Vesting Order with respect to the Sale of Assets* will be presented for adjudication before the Honourable Stephen W. Hamilton, J.S.C., or another of the honourable judges of the Superior Court, Commercial Division, sitting in and for the district of Montréal, in the Montréal Courthouse located at 1, Notre-Dame Street East, Montréal, Québec, on **January 13, 2015**, at a time and in a room to be determined.

DO GOVERN YOURSELF ACCORDINGLY.

Montréal, December 23, 2015



BLAKE, CASSELS & GRAYDON LLP
Attorneys for the Petitioners

C A N A D A

PROVINCE OF QUÉBEC
DISTRICT OF **MONTREAL**

N°: 500-11-048114-157

SUPERIOR COURT

Commercial Division

(Sitting as a court designated pursuant to the *Companies' Creditors Arrangement Act*, R.S.C., c. 36, as amended)

**IN THE MATTER OF THE PLAN OF COMPROMISE OR
ARRANGEMENT OF:**

BLOOM LAKE GENERAL PARTNER LIMITED

QUINTO MINING CORPORATION

CLIFFS QUÉBEC IRON MINING ULC

**THE BLOOM LAKE IRON ORE MINE LIMITED
PARTNERSHIP**

BLOOM LAKE RAILWAY COMPANY LIMITED

Petitioners

-and-

**QUÉBEC IRON ORE INC.
CHAMPION IRON LIMITED**

Mise-en-cause

-and-

**THE REGISTRAR OF DEEDS FOR THE PROVINCE OF
NEWFOUNDLAND AND LABRADOR**

**THE LAND REGISTRAR FOR THE REGISTRY OFFICE
FOR THE REGISTRATION DIVISION OF SAGUENAY**

**THE REGISTRAR OF THE PUBLIC REGISTER OF
REAL AND IMMOVABLE MINING RIGHTS KEPT BY
THE MINISTÈRE DE L'ÉNERGIE ET DES
RESSOURCES NATURELLES (QUÉBEC)**

**THE REGISTRAR OF THE REGISTER OF PERSONAL
AND MOVABLE REAL RIGHTS (QUÉBEC)**

Mises-en-cause

-and-

FTI CONSULTING CANADA INC.

Monitor

LIST OF EXHIBITS

(In support of the *Motion for the Issuance of an Approval Order with respect to the Sale of Assets*)

- R-1 Bloom Lake Initial Order, dated January 27, 2015
- R-2 Sale Advisor Order, dated April 17, 2015
- R-3 SISP Order dated, April 17, 2015
- R-4 *En liasse*, Orders extending the Stay Period
- R-5 Draft Approval And Vesting Order
- R-6 Asset Purchase Agreement
- R-7 Company profile for CQIM
- R-8 Company profile for Bloom Lake GP
- R-9 Company profile for Bloom Lake LP
- R-10 Company profile for Quinto
- R-11 Company profile for Bloom Lake Railway Company Limited
- R-12 GFI Iron Ore & Steel - Daily Market Report
- R-13 ***Under Confidential Seal:*** Summary of the five LOIs
- R-14 ***Under Confidential Seal:*** Summary of the Qualified Bids
- R-15 Press release issued by Champion Iron on December 12, 2015
- R-16 Real estate search report (Québec) on the Bloom Lake CCAA Parties immovable property
- R-17 RPMRR (Québec) search results summary on Bloom Lake CCAA Parties' movable property
- R-18 Personal Property Security Act (Newfoundland & Labrador) search results summary on Petitioners movable property

R-19 *En liasse*, Search results summary from the Public register of real and immovable mining rights granted under the Mining Act (Québec) on CQIM's, Bloom Lake GP's and Quinto's mining rights

The exhibits are available at the following link:

<https://blakes.sharefile.com/d-sffa25082baa4dad8>

Montréal, December 23, 2015

Blake Cassels & Graydon LLP

BLAKE, CASSELS & GRAYDON LLP
Attorneys for the Petitioners

N°: 500-11-048114-157

**SUPERIOR COURT
DISTRICT OF MONTREAL
(Commercial Division)**

**IN THE MATTER OF THE PLAN OF COMPROMISE OR
ARRANGEMENT OF:**

BLOOM LAKE GENERAL PARTNER LIMITED & AL.

Petitioners

-and-

**QUÉBEC IRON ORE INC.
CHAMPION IRON LIMITED
& AL.**

Mises-en-cause

-and-

FTI CONSULTING CANADA INC.

Monitor

**MOTION FOR THE ISSUANCE OF AN APPROVAL
AND VESTING ORDER WITH RESPECT TO THE
SALE OF CERTAIN ASSETS, AFFIDAVIT, NOTICE
OF PRESENTATION AND EXHIBITS R-1 TO R-19**

ORIGINAL



M^{re} Bernard Boucher **BB-8098**

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