

2020 01G 2883

IN THE SUPREME COURT OF NEWFOUNDLAND AND LABRADOR  
IN BANKRUPTCY AND INSOLVENCY

**BETWEEN**

SPROTT PRIVATE RESOURCE LENDING (COLLECTOR), LP

APPLICANT

**AND:**

THE KAMI MINE LIMITED PARTNERSHIP

FIRST RESPONDENT

**AND:**

KAMI GENERAL PARTNER LIMITED

SECOND RESPONDENT

**AND:**

ALDERON IRON ORE CORP.

THIRD RESPONDENT

**INTERLOCUTORY APPLICATION**  
*(Inter Partes)*

<b>SUMMARY OF CURRENT DOCUMENT</b>	
Court File Number(s):	2020 01G 2883
Date of Filing Document:	March 3 , 2023
Name of Party Filing or Person:	Deloitte Restructuring Inc., in its capacity as court-appointed receiver (the "Receiver") of the First, Second and Third Respondents (the "Companies")
Applications to which Document being filed relates:	Interlocutory Application of the Receiver
Statement of Purpose in Filing:	Application by the Receiver for an Order, <i>inter alia</i> , approving the distribution of funds to shareholders
Court Sub-File Number, if any:	N/A

## NATURE OF APPLICATION

1. On June 17, 2020 (the "**Date of Receivership**") the Receiver was appointed by Order of this Court (the "**Receivership Order**") as the receiver of all of the assets, undertakings, and property (the "**Property**") of Alderon Iron Ore Corp. ("**Alderon**"), The Kami Mine Limited Partnership ("**Kami LP**"), and Kami General Partner Limited ("**Kami GP**") (collectively the "**Companies**") acquired for, or used in relation to the business carried on by the Companies (the "**Kami Project**").
2. On November 13, 2020, a Sale Approval and Vesting Order was issued by this Court approving the sale of certain assets of the Companies (the "**Kami Assets**") to Quebec Iron Ore Inc. and 12364042 Canada Inc. (collectively, the "**Purchaser**").
3. On April 1, 2021, the sale of the Kami Assets was concluded and the sale proceeds for the Assets (the "**Sale Proceeds**") were paid to the Receiver.
4. On August 13, 2021, a Claims Process Order was issued by this Court directing the Receiver to solicit claims from all creditors and shareholders in respect of the Companies (the "**Claims Process Order**").
5. On May 25, 2022, a Distribution Order was issued by this Court directing the Receiver to pay the first and final distribution payment to all proven creditors of the Companies (the "**Distribution Order**").
6. The Receiver now seeks an Order:
  - (a) abridging the time for service, validating service, and dispensing with further service of the within Application;
  - (b) approving the activities, fees, and disbursements of the Receiver as described in the Fourth Report of the Receiver (the "**Fourth Report**"), including, without limitation, the steps taken by the Receiver pursuant to the Receivership Order, and the fees of the Receiver's legal counsel;
  - (c) approving the Receiver's Statement of Receipts and Disbursements for the period from June 17, 2020 to January 17, 2023;
  - (d) approving the disallowance of the claims of Canada Revenue Agency ("**CRA**") as described in paragraphs 28-30 of the Fourth Report;
  - (e) approving the first interim distribution to shareholders and the anticipated second interim distribution to shareholders as described in paragraphs 31-37 of the Fourth Report; and
  - (f) providing such further or other relief that the Court considers just and warranted in the circumstances.

## MATERIAL FACTS

7. Since the date of the Third Report of the Receiver, the Receiver has undertaken and performed the following activities:

- a) Corresponded with various creditors, stakeholders, and interested parties with respect to the receivership proceedings and the established claims process;
- b) Issued the first and final distribution to all proven creditors pursuant to the Distribution Order;
- c) Addressed insurance matters;
- d) Corresponded with Metso Outotec Canada Inc. (formerly, Metso Minerals Canada Inc.) ("Metso") on several occasions, with respect to the Kami Group of Companies' assets in Metso's possession;
- e) Corresponded with interested parties regarding certain crown land titles held by Kami;
- f) Corresponded with various investment brokerages on several occasions with respect to their registered shareholdings of Alderon;
- g) Corresponded with various shareholders on numerous occasions with respect to their shareholdings of Alderon;
- h) Responded to queries from CRA regarding the Kami Group of Companies' Goods and Services Tax ("GST");
- i) Addressed post-receivership GST matters;
- j) Corresponded with McInnes Cooper, the Receiver's legal counsel, from time to time on various legal matters relating to the receivership administration;
- k) Drafted, reviewed and finalized the Fourth Report; and
- l) Addressed additional matters of both a general and specific nature as they arose from time to time, not referred to above.

#### **Creditor Claims Process**

- 8. On June 7, 2022, the Receiver issued the first and final distribution payments to proven creditors pursuant to the Distribution Order.
- 9. On November 16, 2022, the dispute with respect to the Metso secured claim was settled by way of a Release and Settlement Agreement, a copy of which is attached to the Fourth Report as Appendix "D" (the "**Settlement Agreement**").
- 10. Pursuant to the Settlement Agreement, Metso's debt is extinguished in whole and Metso no longer has a claim against the Kami Group of Companies.
- 11. As previously discussed in paragraph 33 in the Third Report, CRA filed one (1) claim against Alderon and one (1) claim against Kami LP. CRA's claims against Alderon and Kami LP were a result of CRA reversing previously claimed GST input tax credits ("ITCs") related to Alderon and Kami LP creditors that were not actually paid.

12. The Receiver issued Notices of Disallowance with respect to CRA's claims on the basis that, as a result of all creditors now being paid in full, all ITCs previously claimed by Kami LP and Alderon are valid and CRA therefore no longer has a claim against Kami LP and Alderon. The Receiver did not receive any Notices of Dispute from CRA within the 14-day NOR dispute period.

### Shareholder Claims Process

13. Pursuant to the Claims Process Order, the Receiver published an advertisement in USA Today seeking the claims of Alderon shareholders on August 1, 2021 and August 6, 2021 respectively.
14. On August 27, 2021, the Receiver sent notice of the liquidation of shares (the "**Liquidation Notice**") by regular mail, email, courier services or facsimile to 196 shareholders of Alderon as at June 17, 2020 (the "**Record Date**") based on the share register provided by TSX Trust and the Holders of Record provided by CDS.
15. On August 27, 2021, the Receiver also posted electronic copies of the Liquidation Notice on the Receiver's website at [www.insolvencies.deloitte.ca/en-ca/Kami](http://www.insolvencies.deloitte.ca/en-ca/Kami).
16. As at the Record Date, based on Alderon's available financial records, a total of 141,728,139 shares had been issued. The Receiver reviewed the latest Alderon financial statements available on the System for Electronic Document Analysis and Retrieval ("**SEDAR**") used for filing most securities related information with the Canadian securities regulatory authorities and an Alderon Report of Exempt Distribution also filed on SEDAR to confirm that the quantum of shares issued by Alderon reconciled to the share register provided by TSX.
17. The Receiver maintains the view that shareholder distributions will be based on the 141,728,139 shares issued as at the Record Date, as discussed in further detail in paragraphs 43 through 51 of the Third Report.
18. The first interim distribution to be paid to each shareholder is set out in Appendix "C" to the Fourth Report.
19. The Receiver intends to hold back the amount of \$500,000 (the "**Reserved Funds Holdback**") for the ongoing administration of these receivership proceedings.
20. As discussed in the Second and Third Reports, the TSX register indicated that there were approximately 136 shareholders holding less than 50 shares resulting in a distribution of less than \$10 for each of those shareholders. The Receiver proposed in its Second Report to adopt the materiality guideline set out in Directive 18 of the BIA with respect to those 136 shareholders and not make any distribution of less than \$10. The materiality guideline was approved by this Court. There are seven (7) shareholders that will not receive a distribution equal to or greater than \$10 until the Receiver makes the third and final distribution to the shareholders. Accordingly, the Receiver proposes to hold back a total of \$137 from the first and second distribution to shareholders (the "**Shareholder Holdback**") such that these seven (7) shareholders will receive funds upon the Receiver making the third and final shareholder distribution.


21. As noted in the Third Report, the future payments to be paid to the Receiver by the purchaser are based on future production at the Kami Mine. The Receiver does not anticipate receiving any payments from the Purchaser until late 2024 and the remaining payments in 2025. Therefore, the Receiver anticipates making three distributions to shareholders based on the terms of the APA. The first payment as noted herein, a second payment once the Receiver has accumulated additional funds of \$6.0 million (the "Second Distribution to Shareholders") and a third payment once the Receiver has received all the funds from the Purchaser.
22. For efficiency purposes, the Receiver proposes that the first distribution to the shareholders and the proposed Second Distribution to Shareholders be approved by this Court concurrently. The Second Distribution to Shareholders shall be made by the Receiver in the same manner as the first distribution payment to the shareholders.
23. Accordingly, the Receiver respectfully requests that this Honourable Court make orders approving the following:
  - (a) The Reserved Funds Holdback;
  - (b) The Shareholder Holdback;
  - (c) The distribution to the shareholders as set out in Appendix "C" to the Fourth Report; and
  - (d) The Second Distribution to Shareholders.

**RELIEF SOUGHT**

24. The Receiver repeats the foregoing paragraphs and requests an Order:
  - (a) abridging the time for service, validating service, and dispensing with further service of the within Application;
  - (b) approving the activities, fees, and disbursements of the Receiver as described in the Fourth Report, including, without limitation, the steps taken by the Receiver pursuant to the Receivership Order, and the fees of the Receiver's legal counsel;
  - (c) approving the Receiver's Statement of Receipts and Disbursements for the period from June 17, 2020 to January 17, 2023;
  - (d) approving the disallowance of the claims of CRA as described in paragraphs 28-30 of the Fourth Report;
  - (e) approving the first interim distribution to shareholders and the anticipated second interim distribution to shareholders as described in paragraphs 31-37 of the Fourth Report; and
  - (f) providing such further or other relief that the Court considers just and warranted in the circumstances.

**ALL OF WHICH IS RESPECTFULLY SUBMITTED.**

DATED AT the City of St. John's, in the Province of Newfoundland and Labrador, this 1<sup>st</sup> day of March, 2023.

  
\_\_\_\_\_  
Geoffrey Spencer  
McInnes Cooper  
Solicitors for the Receiver  
10 Fort William Place  
5th Floor, Baine Johnston Centre  
PO Box 5939  
St. John's, NL A1C 4X4

To: Supreme Court of Newfoundland and Labrador  
General Division (In Bankruptcy)  
P.O. Box 937  
313 Duckworth Street  
St. John's, NL A1C 5M3

And To: The Service List attached as Schedule "A"

Issued at St. John's, in the Province of Newfoundland and Labrador, this 3 day of March, 2023.

  
\_\_\_\_\_  
Court Officer

**COURT  
OFFICER**

2020 01G 2883

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IN BANKRUPTCY AND INSOLVENCY

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SPROTT PRIVATE RESOURCE LENDING (COLLECTOR), LP  
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**AND:**

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FIRST RESPONDENT

**AND:**

KAMI GENERAL PARTNER LIMITED  
SECOND RESPONDENT

**AND:**

ALDERON IRON ORE CORP.  
THIRD RESPONDENT

**NOTICE TO THE RESPONDENTS**

You are hereby notified that the foregoing application will be made to the judge presiding in Chambers at the Court House at St. John's, Newfoundland and Labrador on Tuesday, the 28<sup>th</sup> day of March, 2023 at 11:00 am.

To: The Service List attached as Schedule "A"

**SCHEDULE "A"**

**SERVICE LIST IN THE MATTER OF THE RECEIVERSHIP OF THE KAMI MINE  
LIMITED PARTNERSHIP, KAMI GENERAL PARTNER LIMITED, AND ALDERON  
IRON ORE**

Party	Role
<p><b>Dentons Canada LLP</b> 1500, 850-2<sup>nd</sup> Street SW Calgary, Alberta T2P OR8  Attention: David Mann / John Regush  <u>Email: david.mann@dentons.com, john.regush@dentons.com</u></p>	<p><i>Counsel to Sprott Private Resource Lending (Collector) LP, Secured Creditor</i>  <i>Counsel to Sprott Resource Lending Corp.</i></p>
<p><b>Cox &amp; Palmer</b>  Suite 1100 Scotia Centre 235 Water Street St. John's NL A1C 1B6  Attention: Wayne Myles  <u>Email: wmyles@coxandpalmer.com</u></p>	<p><i>Agency Counsel for Dentons Canada LLP</i></p>
<p><b>King &amp; Bay West Management Corp.</b>  1055 W Georgia St Suite 2400 Vancouver, BC, Canada V6E 3P3  <u>Email: oaasen@kingandbay.com</u></p>	<p><i>Creditor</i></p>
<p><b>McMillan LLP</b>  Royal Centre, 1055 W. Georgia Street, Suite 1500 PO Box 11117 Vancouver, BC V6E 4N7  Attention: Bernhard J Zinkhofer  <u>Email: Bernhard.Zinkhofer@mcmillan.ca</u></p>	<p><i>Counsel to HBIS International Holdings (Canada) Co., Ltd., limited partner of The Kami Mine Limited Partnership</i>  <i>Counsel to Hebei Iron &amp; Steel Group Co. Ltd.</i></p>
<p><b>Langlois</b>  1250 Rene Lavesque Boulevard Montreal, Quebec H3B 4W8  Attention: Charles Lapointe  <u>Email: charles.lapointe@langlois.ca</u></p>	<p><i>Counsel to Metso Minerals Canada Inc.</i></p>



Party	Role
<p><b>Altius Resources Inc.</b> Ben Lewis, CFO Email: <a href="mailto:blewis@altiusminerals.com">blewis@altiusminerals.com</a></p>	<p><i>Party to Royalty Agreement</i></p>
<p><b>Canada Revenue Agency</b> Quebec Insolvency Intake Centre Fax: 1-866-229-0839</p>	<p><i>Canada Revenue Agency</i></p>
<p><b>Workplace, Newfoundland and Labrador</b> 146-148 Forest Road St. John's, NL A1A 3B8 Attention: Ann Martin Email: <a href="mailto:ann.martin@workplacnl.ca">ann.martin@workplacnl.ca</a></p>	<p><i>Workplace, Newfoundland and Labrador</i></p>
<p><b>Provincial Government Collections, Newfoundland and Labrador</b> Account and Services, Government of NL 3rd Floor, East Block, Confederation Building St. John's, NL Attention: Lisa Warren, Manager of Collection, Tax Email: <a href="mailto:lisawarren@gov.nl.ca">lisawarren@gov.nl.ca</a></p>	<p><i>Provincial Government Collections, Newfoundland and Labrador</i></p>
<p><b>Curtis Dawe</b> 139 Water Street, 11<sup>th</sup> Floor St. John's, NL A1C 5J9 Attention: Gregory M. Smith, Q.C. Email: <a href="mailto:gsmith@curtisdawe.com">gsmith@curtisdawe.com</a></p>	<p><i>Counsel to Worley Canada Services Ltd.</i></p>
<p><b>Deloitte Restructuring Inc.</b> 700, 850 – 2<sup>nd</sup> street S.W. Calgary AB T2P 0R8 Email: <a href="mailto:bobtaylor@deloitte.ca">bobtaylor@deloitte.ca</a> <a href="mailto:naomcgregor@deloitte.ca">naomcgregor@deloitte.ca</a></p>	<p><i>Receiver</i></p>