

CANADA

SUPERIOR COURT  
(COMMERCIAL DIVISION)

PROVINCE OF QUÉBEC  
DISTRICT OF MONTRÉAL

IN THE MATTER OF THE COMPROMISE OR  
ARRANGEMENT OF:

No: 500-11-

MINÉRAUX MAUDORE LTÉE

Debtor

and

SAMSON BÉLAIR/DELOITTE & TOUCHE INC.

Trustee

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MOTION FOR THE CONTINUATION OF PROCEEDINGS  
COMMENCED UNDER PART III OF THE *BANKRUPTCY AND INSOLVENCY ACT*  
AND FOR AN INITIAL ORDER  
UNDER THE *COMPANIES' CREDITORS ARRANGEMENT ACT*  
(Ss. 11, 11.02 AND 11.6 OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*)

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TO ONE OF THE HONOURABLE JUDGES OF THE SUPERIOR COURT, SITTING IN  
COMMERCIAL DIVISION FOR THE DISTRICT OF MONTREAL, THE DEBTOR  
RESPECTFULLY STATES:

**A. Requested Relief**

1. On September 8, 2014, the Debtor, Minéraux Maudore Ltée (“**Maudore**”), filed a notice of its intention to make a proposal to its creditors under the *Bankruptcy and Insolvency Act*, R.S.C.(1985) c. B-3 (the “**BIA**”) in court file 615-11-001401-142 in the district of Abitibi (the “**Proposal Proceedings**”), as described more fully below.
2. Maudore hereby requests that the court:
  - a) take up Maudore’s Proposal Proceedings and continue them under the *Companies Creditors’ Arrangement Act*, R.S.C. (1985) c. C-36 (the “**CCAA**”) pursuant to section 11.6 of the CCAA;
  - b) make an initial order in respect of Maudore pursuant to section 11.02 of the CCAA (the “**Initial Order**”) substantially in the form of the draft order annexed as **Exhibit P-1**.

## **B. Background**

3. Maudore, a publicly-owned company listed as MAO on the TSX Venture Exchange (TSX-V), is a Quebec junior gold company with 13 exploration projects located near the towns of Amos, Lebel-sur-Quévillon and Matagami.
4. One of the projects, consisting of 320 CDC claims for 16,239 hectares (163.29 km<sup>2</sup>), is at an advanced stage of development with reported current and historical resources and mining (the “**Comtois Property**”).
5. Maudore is also the majority shareholder of Mines Aurbec inc. (“**Aurbec**”), whose principal assets are the Sleeping Giant mine and processing facility about 80 km north of Amos (“**Sleeping Giant**”), and the Vezza project about 25 km south of Matagami (“**Vezza**”).
6. On September 8, 2014, both Maudore and its subsidiary Aurbec filed notices of their intention to make proposals to their creditors under the BIA, with Samson Bélair/Deloitte & Touche Inc. (“**Deloitte**”) agreeing in both instances to act as proposal trustee, the whole as appears from a copy of the notice to the creditors of Maudore, **Exhibit P-2**, and from a copy of the notice to the creditors of Aurbec, **Exhibit P-3**.
7. The most significant secured creditor of both Maudore and Aurbec and is FBC Holdings S.à.r.l. (“**FBC**”), which is controlled by Cyrus Capital Partners L.P. (“**Cyrus**”) and which is owed approximately \$34.7 million by Maudore as appears from the statements of account annexed as **Exhibit P-4**.
8. Maudore’s debt to FBC is secured by a hypothec in the principal amount of \$36,000,000 (including an additional hypothec of \$6,000,000) bearing interest at 25% per annum (the “**FBC Hypothec**”), which hypothec charges the Comtois Property and all of the movable property of Maudore (including Maudore’s shares in Aurbec) as appears from the results of a search of the Register of Personal and Movable Real Rights in respect of Maudore, **Exhibit P-5**.
9. Even prior to the filing of the notices of intention, Maudore and Aurbec had been working with FBC (which is also a significant shareholder of Aurbec) to be able to make a proposal to their creditors, which proposal would probably have involved the separation of the exploration assets from the production assets exploited by Aurbec, and additional capital from the sale of Sleeping Giant or Vezza or both.
10. To this end, following the filing of the notices of intention, a list of potential investors/acquirers was compiled and approximately 30 parties were sent a confidentiality agreement which, once executed, permitted access to a data room set up by Maudore and Aurbec in order to explore a potential transaction.
11. Vezza had been shut down by Aurbec several months prior to the notices of intention because the price of gold was not sufficient to cover extraction costs given the ore concentrations found in the mine.

12. In order to minimize costs, Aurbec's management decided in June of 2014 to commence the shutdown of operations at the Sleeping Giant mine as well, as it could not be operated profitably under the conditions prevailing in the gold market at that time.
13. On October 8, 2014, the deadline for Maudore and Aurbec to file their proposals was extended by the court in the district of Abitibi in the Proposal Proceedings for a period of 44 days, ending on November 21, 2014, as appears from **Exhibit P-6**.
14. On October 14, 2014, a sale process undertaken by Aurbec to maximize recovery for creditors generated an offer for various equipment no longer required by Aurbec, which sale was approved by the court in the district of Abitibi in the Proposal Proceedings on November 7, 2014, as appears from **Exhibit P-7**.
15. On November 21, 2014, the deadline for Maudore and Aurbec to file their proposals was extended by the court in the district of Abitibi for a period of 45 days, ending on January 6, 2015, as appears from **Exhibit P-8**.
16. As part of its efforts to maximize recovery for its creditors, Aurbec signed an agreement with a third party to collect, process and sell whatever gold residues could be recovered following the mine-out process at Sleeping Giant.
17. However, despite the efforts of Maudore, Aurbec and Deloitte as their proposal trustee (and with the assistance of Clarus Securities Inc.), no transaction materialized, and on December 15, 2014, FBC served upon Aurbec a notice under section 244 of the BIA in the amount of \$33,588,673, as appears from **Exhibit P-9**.
18. On December 17, 2014, with the consent of both Aurbec and Maudore, Deloitte was appointed receiver in the Proposal Proceedings of all the assets of Aurbec subject to FBC's security (with the exception of Vezza, in respect of which FBC was the second-ranking secured creditor behind two creditors ranking *pari passu* who had been granted a hypothec in respect of work performed at Vezza), as appears from **Exhibit P-10**.
19. At the hearing in the Proposal Proceedings for the appointment of a receiver of various property of Aurbec, the court in Abitibi extended Maudore's deadline to make a proposal to its creditors for an additional period of 9 days, ending on January 14, 2015, to coincide with the court's availability, as appears from **Exhibit P-11**.
20. However, no extension of Aurbec's deadline to make a proposal to its creditors was sought, and on January 6, 2015 the deadline was permitted to expire resulting in the bankruptcy of Aurbec, with Deloitte being appointed bankruptcy trustee, as appears from the records of the Office of the Superintendent of Bankruptcy Canada, **Exhibit P-12**.
21. On January 14, 2015, the court in Abitibi extended the deadline for Maudore to make a proposal to its creditors in the Proposal Proceedings to Friday, February 27, 2015, as appears from **Exhibit P-13**.
22. At no point did any of the creditors of Maudore or Aurbec oppose the extension of the deadlines to make a proposal.

**C. Maudore's Current Situation**

23. In light of the bankruptcy of its subsidiary, Aurbec, the only significant asset of Maudore is the Comtois Property, as it appears unlikely that there will be any significant realization from the other exploration projects.
24. In late January 2015, a party expressed an interest in exploiting the Comtois Property, with a confidential business plan being drawn up in February.
25. It is too soon to say whether a transaction with respect to the Comtois Property will materialize, or what final form that transaction may take, but in light of the size of the debt to FBC which charges the property it is very unlikely that an outright sale of the Comtois Property (whether by Maudore, the secured creditor, a receiver, or trustee in bankruptcy) would generate proceeds sufficient to provide any distribution to the unsecured creditors of Maudore.
26. However, in the event that there is an interest in recapitalizing Maudore, possibly to take advantage of tax losses carried forward and/or to preserve or revive the public listing, a proposal or arrangement would provide some dividend to the unsecured creditors.
27. Maudore has not made a proposal to its creditors, and its deadline to do so expires on Friday, February 27, 2015.
28. While it is possible for Maudore to seek a further extension of this deadline, in light of the fact that it filed its notice of intention on September 8, 2014, the extension could not extend beyond March 8, 2015, which would provide only 9 more days (6 business days) to make a proposal.
29. Under the circumstances, Maudore will not be able to make a proposal to its creditors even if the deadline is extended to its absolute limit.
30. Notably in light of the potential for a transaction with respect to the Comtois Property and possibility of an eventual dividend to its unsecured creditors, Maudore therefore requests that this court take up the Proposal Proceedings and continue them under the CCAA as permitted by section 11.6 of the CCAA.

**D. Request for the Continuation of Proceedings and for an Initial Order**

31. Maudore holds interests in exploration projects but generates no revenue of its own and has relied entirely upon revenue generated by its subsidiary, Aurbec, which is now bankrupt; Maudore is now entirely dependent upon the support of its secured creditor, FBC, to meet its ongoing expenses.
32. As appears from the notice of intention (Exhibit P-2), and notably in light of the debt owed to FBC, Maudore is insolvent and a "debtor company" pursuant to section 2(1) of the CCAA.

33. Maudore has no employees, with George Fowlie serving on a contract basis as the *de facto* chief restructuring officer since the outset of the restructuring process.
34. Maudore's registered head office is currently 905-123 Front Street West in Toronto, Ontario (the offices of Mr. Fowlie), and has always been in Toronto in light of the fact that it is incorporated under the *Ontario Business Corporations Act*, as appears from a search of the CIDREQ registry maintained by the Registraire des entreprises, **Exhibit P-14**.
35. However, until it abandoned the premises in August 2015, Maudore's principal place of business was its offices in Montreal, and to the extent that Maudore has any business operations they continue to be conducted in the province of Quebec, which would therefore be Maudore's "chief place of business in Canada" for the purposes of section 9 of the CCAA.
36. Quebec is also the province in which all or substantially all of Maudore's assets (including notably the Comtois property) are situated.
37. As appears from Exhibit P-14, Maudore's current elected domicile is at the address of its corporate lawyer in Rouyn-Noranda, but its restructuring counsel is based in Montreal, as is counsel for FBC.
38. Maudore has no employees in the district of Abitibi and, as appears from Exhibit P-2, with the exception of its corporate counsel and its auditors, Maudore has virtually no creditors in the district of Abitibi, whose claims that represent a mere fraction of the total.
39. In the interests of minimizing costs, and in light of the absence of prejudice to stakeholders, Maudore therefore requests that the present proceedings be heard in Montreal.
40. To the extent that it is necessary to do so, Maudore hereby elects domicile at the offices of its corporate counsel in Montreal, and requests, *de bene esse*, an order pursuant to article 75.0.1 of the *Code of Civil Procedure*.
41. Maudore has prepared a statement showing the projected cash flow up to April 27, 2015, **Exhibit P-15**.
42. The cash flow demonstrates that Maudore is dependent upon the receipt of funds from its secured creditor, FBC, in order to meet its ongoing obligations but no creditors will be materially prejudiced by the requested relief because an immediate bankruptcy and liquidation of all assets would be insufficient to pay the claims of secured creditors, such that unsecured creditors would suffer a total loss.
43. As previously stated, no creditor has objected to the extension of the deadline for Maudore to make a proposal in the Proposal Proceedings, and the request for the continuation of Proposal Proceedings under the CCAA is made with the full knowledge and support of Maudore's secured creditor.

44. Maudore requests that Deloitte, its proposal trustee, be appointed as monitor to the proceedings under the CCAA.
45. The debtor has acted, and is acting in good faith and with due diligence.

**WHEREFORE, MAY IT PLEASE THE COURT:**

**GRANT** the present motion;

**DECLARE** that the Debtor, Minéraux Maudore Ltée, is a “debtor company” pursuant to section 2(1) of the *Companies’ Creditors Arrangement Act*;

**DECLARE** that the court has taken up the proceedings commenced by under Part III of the *Bankruptcy and Insolvency Act* and continued them under the *Companies’ Creditors Arrangement Act* pursuant to section 11.06 of said act;

**GRANT** an initial order pursuant to section 11.02 of the *Companies’ Creditors Arrangement Act* substantially in the form of the draft order annexed as Exhibit P-1;

**ORDER** the provisional execution of the order notwithstanding appeal;

**THE WHOLE** without costs.

MONTREAL, February 27, 2015



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**WOODS LLP**  
**Attorneys for the Debtor**