

CANADA
PROVINCE OF QUEBEC
DISTRICT OF MONTRÉAL

SUPERIOR COURT
(Commercial Chamber)

NO.: 500-11-048114-157

IN THE MATTER OF THE *COMPANIES'*
CREDITORS ARRANGEMENTS ACT (R.S.C.
1985 c. C-36) AS AMENDED:

BLOOM LAKE GENERAL PARTNER LIMITED,
8568391 CANADA INC.,
CLIFFS QUÉBEC IRONG MINING ULC.,
QUINTO MINING CORPORATION,

Petitioners

-and-

THE BLOOM LAKE IRON ORE MINE LIMITED
PARTNERSHIP,
BLOOM LAKE RAILWAY COMPANY,

Mis-en-cause

-and-

FTI CONSULTING CANADA INC.,

Monitor

-and-

MASON GRAPHITE INC., a legal person having its
head office at 3030 Le Carrefour Blvd., suite 600,
Laval, province of Quebec, H7T 2P5;

APPLICANT

vs.

QUINTO MINING CORPORATION, having a place
of business at 1155, University Street, suite 508,
city and district of Montreal, province of Québec,
H3B 3A7;

RESPONDENT

**MASON GRAPHITE INC'S MOTIONS TO LIFT THE STAY OF PROCEEDINGS, IN
HOMOLOGATION OF A TRANSACTION AND FOR A SETTLEMENT APPROVAL
ORDER**

IN SUPPORT OF ITS MOTION, MASON GRAPHITE INC. RESPECTFULLY SUBMITS:

THE FACTS

1. On or about April 5, 2012, Mason Graphite Inc. ("**Mason**") purchased 215 Mining Claims from Quinto Mining Corporation ("**Quinto**") for a total purchase price of fifteen million US dollars (USD\$ 15M), as appears from the Purchase Agreement and the registered Deed of Sale dated April 5, 2012 (hereinafter collectively the "**Purchase Agreement**"), **Exhibit R-1**;
2. A portion of the purchase price was deferred and conditional upon the earlier of the passage of certain time periods, the completion of a feasibility study or the achievement of commercial production of the Mining Claims;
3. On January 27, 2015, this Court issued the Initial Order pursuant to the CCAA in relation with the Petitioners, including Quinto, as appears from the Court record;
4. As of January 2016, USD\$ 10M had been paid to Quinto, leaving a balance of the deferred purchase price of USD\$ 5M payable in two equal instalments of \$ 2,5M no later than October 5, 2016 and April 7, 2017 (the "**Deferred Purchase Price**");
5. In January 2016, Mason and the Monitor (together with Quinto) started negotiating in relation with the Deferred Purchase Price payable to Quinto and its early repayment at a discounted price, the current state of the market not being favourable;
6. On July 28, 2016, Mason offered an accelerated payment of USD\$ 3M as a complete and final settlement of the Deferred Purchase Price, as appears from Mason's email to the Monitor, **Exhibit R-2**;
7. On August 16, 2016, having discussed the offer with Quinto, the Monitor presented a counter-offer for an accelerated payment of USD\$ 4M (together with certain conditions, notably in terms of delay), as appears from the Monitor's email to Mason, **Exhibit R-3**;
8. On August 22, 2016, Mason accepted the counter-offer and was advised by the Monitor that Quinto's counsel would prepare the settlement agreement evidencing the transaction that intervened, as appears from the email exchanges dated August 22, 2016, **Exhibit R-4**;
9. On August 26, 2016 counsel for Quinto forwarded by email a draft "Settlement & Mutual Release Agreement" to Mason for review, as appears from a copy of said email, **Exhibit R-5**;

10. As appears from said Quinto's draft Settlement & Mutual Release Agreement (Exhibit R-5), the settlement was definitive, except for obtaining an order from the Court under the CCAA proceedings approving the settlement on or before September 23, 2016 at 5:00 p.m., Quinto being responsible and undertaking to file such a motion seeking said approval, the Monitor having agreed to support same;
11. On September 1st, 2016, Mason sent by email a revised draft Settlement & Mutual Release Agreement to Quinto's counsel (the Monitor being copied) for consideration, as appears from said email, **Exhibit R-6**;
12. On September 6, 2016 at 10:15 a.m., Mason issued a press release announcing a private placement offering, as appears from a copy of said release, **Exhibit R-7**;
13. On September 6, 2016, at 11:46 a.m., counsel for Quinto returned by email a clean copy of the Settlement & Mutual Release Agreement, having accepted all of Mason's suggested changes (except for changing the delay for payment to 7 business days – instead of 10 - following the granting of the Settlement Approval Order, which was not material and agreeable to Mason), as appears from said email, **Exhibit R-8**;
14. As also appears from said email (Exhibit R-8), in accordance with and in execution of the transaction reached on August 22, 2016 and of the Settlement & Mutual Release Agreement to be signed, Quinto's counsel confirmed having obtained a September 23, 2016 hearing date for the presentation of a motion seeking the issuance of the Settlement Approval Order;
15. At 12:53 on September 6, 2016, counsel for Quinto advised by email that he had "just received some new information that impact this settlement" and that he "would get back to [Mason] shortly", as appears from said email, **Exhibit R-9**;
16. At 1:53 p.m. that same day, counsel for Quinto sent another email advising that Quinto and the Monitor had changed their mind and reneged on the transaction, alleging that a recently announced private placement offering announcement by Mason would render the transaction "no longer in the best interests of [Quinto]'s stakeholders", as appears from a copy of said email, **Exhibit R-10**;
17. On September 14, 2016, Mason put Quinto on notice to abide by its obligations and comply with the transaction reached, as appear from a copy of Mason's counsel letter of demand, **Exhibit R-11**, which letter was transferred to the Monitor's counsel by Quinto's counsel, as appears from Quinto's counsel email advising Mason of same, **Exhibit R-12**;
18. Said letter has received no positive response;

19. Nonetheless, and on the other hand, Mason has fulfilled all of its obligations pursuant to the transaction of August 22, 2016 and to the Settlement & Draft Release Agreement, having irrevocably directed the settlement amount of USD\$ 4M towards the payment of the transaction, as appears from Mason's counsel letter dated October 4, 2016, **Exhibit R-13**;

CONCLUSIONS SOUGHT:

20. The Settlement & Mutual Release Agreement (at Exhibit R-8) truly reflects the transaction reached on August 22, 2016 and the agreement between the parties and Mason is well founded in fact and in law and has no other choice but to ask for the assistance of this Court to remedy the fact that Quinto and the Monitor have – without right- changed their mind and renege on the settlement;

21. Indeed, This change of mind is ill founded and without any colour of right, notably as:

- i) The announcement of a private placement offering by Mason, on the morning of September 6, 2016 changes nothing to the situation that prevailed on August 22, 2016 when the settlement was reached, and in fact, the private placement offering changed nothing at all to the transaction;
- ii) Indeed, the Monitor (and Quinto) were informed since January 2016 that Mason needed to obtain external financing notably in order to pay the Deferred Purchase Price, and accordingly, the announcement of a private placement offering is only consistent with that fact and cannot come as a surprise;
- iii) The transaction has, between the parties, the authority of *res judicata*, and the Respondents have absolutely no right to renege on same;
- iv) In any event, the transaction was and still is in the interests of Quinto and its stakeholders, who will receive an accelerated substantial payment of USD\$ 4M;
- v) The Monitor has been fully aware and involved from the beginning in the negotiation leading to the transaction of August 22, 2016, most of the communications having been made with it, and the Monitor consented to it;

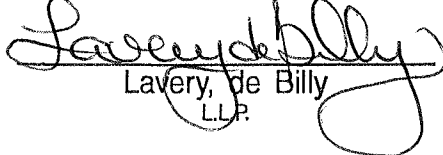
22. Therefore, Mason is well founded in fact and in law to request this Court to homologate and give effect to the transaction intervened on August 22, 2016 and evidenced in the Settlement & Mutual Release Agreement (Exhibit R-8) and also, to that end, lift the stay of proceedings against Quinto and issue a Settlement Approval Order under the CCAA;

FOR THESE REASONS, MAY IT PLEASE THE COURT TO:

- GRANT** the present Motions;
- LIFT** the stay of proceedings against Petitioner Quinto Mining Corporation for the purposes of Applicant's motions in Homologation of a Transaction and for a Settlement Approval Order under the CCAA;
- HOMOLOGATE** the transaction between Quinto Mining Corporation and Mason Graphite Corp. intervened on August 22, 2016 and evidenced in the *Settlement & Mutual Release Agreement* communicated on September 6, 2016 (Exhibit R-8) (hereinafter the "**Transaction**");
- APPROVE** said Transaction;
- DECLARE** that the Transaction is not subject to any other approbation;
- DECLARE** executory all the terms and conditions of the Transaction;
- ORDER** the parties to comply with all the terms and conditions of said Transaction;
- THE WHOLE** with costs.

Montréal, October 4th, 2016

CERTIFIED TRUE COPY


Lavery, de Billy
LLP.

(S) Lavery, de Billy
L.L.P.

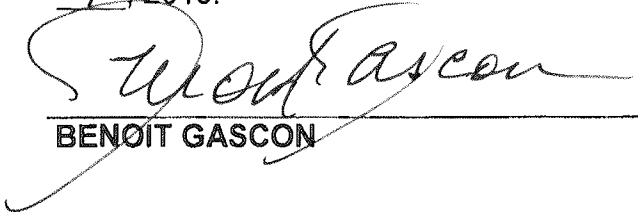
LAVERY, DE BILLY
LIMITED LIABILITY PARTNERSHIP
Attorneys for the Applicant MASON
GRAPHITE INC.

AFFIDAVIT

I, the undersigned, **BENOIT GASCON**, CPA, President and chief director of Applicant Mason Graphite Inc., working at 3030 Le Carrefour blvd., Suite 600, Laval, Quebec H7T 2P5, do solemnly affirm:

1. I am Applicant's duly authorized representative with regard to the present proceedings;
2. All the facts alleged in paragraphs 1 to 22 of MASON GRAPHITE INC'S MOTIONS TO LIFT THE STAY OF PROCEEDINGS, IN HOMOLOGATION OF A TRANSACTION AND FOR A SETTLEMENT APPROVAL ORDER are true.

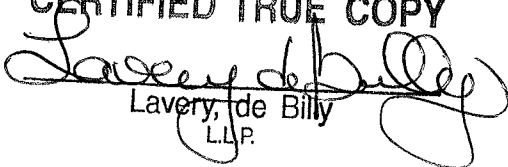
AND I HAVE SIGNED in Laval on October 4, 2016:


BENOIT GASCON

Solemnly affirmed before me,
in LAVAL on October 4, 2016


Commissioner of Oaths

NORMAND GASCON AVOCAT
182259-4

CERTIFIED TRUE COPY

Lavery, de Billy
LLP

NOTICE OF PRESENTATION

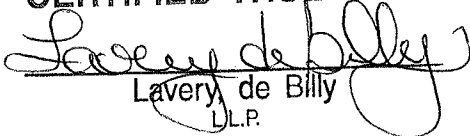
To: The Service List

TAKE NOTICE that Applicant's Motions **MOTION TO LIFT THE STAY OF PROCEEDINGS, IN HOMOLOGATION OF A TRANSACTION AND FOR A SETTLEMENT APPROVAL ORDER** will be presented for adjudication in the Superior Court (commercial chamber), district of Montreal, before the Honourable Justice Hamilton on a date and time to be determined with him, at the Montreal Courthouse.

DO GOVERN YOURSELF ACCORDINGLY.

Montreal, October 4th, 2016

(S) Lavery, de Billy
L.L.P.

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Lavery, de Billy
L.L.P.

LAVERY, DE BILLY
LIMITED LIABILITY PARTNERSHIP
Attorneys for the APPLICANT
MASON GRAPHITE INC.

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Jonathan Warin /Dominique Vallières 416248-00023

LAVERY, DE BILLY, L.L.P.

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