

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

BETWEEN:

THIRD EYE CAPITAL CORPORATION

Applicant

- and -

RESSOURCES DIANOR INC. / DIANOR RESOURCES INC.

Respondent

SUBMISSIONS OF THE MONITOR OF ESSAR STEEL ALGOMA INC.

August 16, 2016

GOWLING WLG (CANADA) LLP

Barristers & Solicitors
1 First Canadian Place
100 King Street West, Suite 1600
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Solicitors for Ernst & Young Inc. in its
capacity as court-appointed Monitor of
Essar Steel Algoma Inc. et al.

TO: THE SERVICE LIST

E-SERVICE LIST

(As of August 8, 2016)

TO:	<p>FASKEN MARTINEAU DuMOULIN LLP 333 Bay Street, Suite 2400 Bay Adelaide Centre, Box 20 Toronto, ON M5H 2T6</p> <p>Attention: Stuart Brotman/ Dylan Chochla Phone: (416) 865-5419/ (416) 868-3425 Email: sbrotman@fasken.com/dchochla@fasken.com</p> <p><i>Counsel to Richter Advisory Group Inc., the Court-Appointed Receiver of Ressources Dianor Inc./ Dianor Resources Inc.</i></p>
AND TO:	<p>RICHTER ADVISORY GROUP INC. 181 Bay St., Suite 3320 - Bay Wellington Tower Toronto, ON M5J 2T3</p> <p>Attention: Raymond Massi/ Pritesh Patel Phone: (416) 488-2345 Email: rmassi@richter.ca/ ppatel@richter.ca</p> <p><i>Court-appointed Receiver of Ressources Dianor Inc./ Dianor Resources Inc.</i></p>
AND TO	<p>LENCZNER SLAGHT ROYCE SMITH GRIFFIN LLP 130 Adelaide Street West, Suite 2600 Toronto, ON M5H 3P5</p> <p>Attention: Peter Osborne/ Shara Roy Phone: (416) 865-3094/ (416) 865-2942 Email: posborne@litigate.com/ sroy@litigate.com</p> <p><i>Counsel to Third Eye Capital Corporation</i></p>
AND TO:	<p>JOHANSEN LAW FIRM 102-981 Balmoral Street Thunder Bay, ON P7B 0A6</p> <p>Attention: Rod Johansen Phone: (807) 474-4440 Email: rod@johansenlaw.ca</p> <p><i>Counsel to Joseph Leadbetter & 2350614 Ontario Inc.</i></p>

AND TO:	<p>STIKEMAN ELLIOT LLP 5300 Commerce Court West Toronto, ON M5L 1B9</p> <p>Attention: Ashley Taylor/ John Ciardullo/ Peter Hamilton/ Meaghan Obee Tower/ Maria Konyukhova/ Kathryn Esaw/ Patrick J. Corney/ Lee Nicholson Phone: (416) 869-5500 Email: ataylor@stikeman.com/ jciardullo@stikeman.com/ phamilton@stikeman.com/ mobeetower@stikeman.com/ mkonyukhova@stikeman.com/ kesaw@stikeman.com/ pcorney@stikeman.com/ leenicholson@stikeman.com</p> <p><i>Counsel to Essar Steel Algoma Inc. et al</i></p>
AND TO:	<p>GOWLING WLG (CANADA) LLP 100 King St West, Suite 1600 Toronto, ON M5X 1G5</p> <p>Attention: Derrick Tay/ Clifton P. Prophet/ Nicholas Kluge/ Thomas Gertner/ Delna Contractor Phone: (416) 862-7525 Email: derrick.tay@gowlingwlg.com/ clifton.prophet@gowlingwlg.com/ nicholas.kluge@gowlingwlg.com/ thomas.gertner@gowlingwlg.com/ delna.contractor@gowlingwlg.com</p> <p><i>Counsel to Ernst & Young Inc. in its capacity as Court-appointed Monitor of Essar Steel Algoma Inc. et al</i></p>
AND TO:	<p>ERNST & YOUNG INC. EY Tower 222 Bay Street, P.O. Box 143 Toronto, ON M5K 1H1</p> <p>Attention: Brian M. Denega/ Tom Ayres/ Allen Yao/ Fiona Han Phone: (416) 864-1234 Email: brian.denega@ca.ey.com/ tom.c.ayres@ca.ey.com/ allen.yao@ca.ey.com/ fiona.han@ca.ey.com</p> <p><i>Court-appointed Monitor of Essar Steel Algoma Inc. et al</i></p>
AND TO:	<p>DIAMOND LAKE MINING LTD. P.O. Box 97, Wawa, ON P0S 1K0</p>

AND TO:	SA MAJESTÉ DU CHEF DU CANADA (MINISTRE DU REVENU DU QUÉBEC) 555, avenue MacKenzie 7e Étage Édifice Connaught Ottawa, ON K1A 0L5
AND TO:	AGENCE DU REVENU DU QUÉBEC (MINISTRE DU REVENU DU QUÉBEC) 3 Complexe Desjardins C.P. 5000, secteur D221LC Montréal, QC H5B 1A7 Attention: André Larivière Email: andre.lariviere@revenuquebec.ca
AND TO:	BANQUE ROYALE DU CANADA 630 Boulevard René-Levesque Ouest 1e Étage Montreal, QC H3B 1S6
AND TO:	EEYOU ISTCHEE JAMES BAY REGIONAL GOVERNMENT 110, boul. Matagami Blvd., C. P. 500 / P.O. Box 500 Matagami, QC J0Y 2A0 Attention: Pierre-Alain Bouchard Email: pabouchard@greibj-eijbrg.ca

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1. By Order of the Honourable Justice Newbould dated November 9, 2015, as amended and restated (the "**Initial Order**"), Essar Steel Algoma Inc. and certain of its affiliates were granted protection pursuant to the *Companies' Creditors Arrangement Act* ("**CCAA**") and Ernst & Young Inc. was appointed as monitor in respect of the proceedings (the "**Monitor**").
2. In accordance with certain royalty agreements entered into between Algoma Steel Inc., the legal predecessor of Essar Steel Algoma Inc. ("**Algoma**"), 3814793 Canada Inc., the predecessor in interest to Dianor Resources Inc. ("**Dianor**") in respect of certain lands and mineral rights (the "**Mineral Rights**") in the Township of Michipicoten, District of Algoma, Dianor granted Algoma certain royalty rights (the "**Royalties**"). Attached hereto as **Appendix "A"** is a copy of the instrument registered on title to the said lands and mineral rights, evidencing the Royalties.

3. Algoma understands that Dianor subsequently entered into certain financing arrangements in favour of Third Eye Capital Corporation ("**Third Eye Capital**"), including security in respect of the said lands and the Mineral Rights.
4. The Monitor further understands that Third Eye Capital applied for and obtained the appointment of Richter Advisory Group Inc. as receiver in respect of the property, assets and undertaking of Dianor (the "**Receiver**").
5. The Receiver has brought a motion for an order approving a certain transaction with Third Eye Capital or its nominee (the "**Purchaser**"), pursuant to which the Purchaser is to acquire the property, assets and undertaking of Dianor, including the Mineral Rights subject to the Royalties, free and clear of all claims, charges and interest.
6. The Monitor understands that Algoma has asserted that its claim to the Royalties enjoys priority to the interests of Dianor and Third Eye Capital. The Monitor supports this conclusion.
7. Following discussions with Third Eye Capital, the Monitor and Algoma, Algoma has entered into a settlement agreement with Third Eye Capital in consideration of which Algoma has agreed that all of Algoma's right, title and interest in and to the Royalties and the Mineral Rights may be discharged and released on consent through the approval and vesting order proposed by the Receiver and Third Eye Capital, upon the payment to Algoma of the sum of \$150,000 in immediately available funds.
8. Based on the information provided by Algoma with respect to the claims, and the information provided by the Receiver in its Second Report to the effect that the only offers received to purchase the Mineral Rights involved termination or substantial reduction of the Royalties, the Monitor is of the view that the sum which the Purchaser has agreed to pay in respect of the Royalties is fair and reasonable compensation and in the circumstances represents the best available outcome for Algoma as a creditor.

9. The Monitor has not conducted an independent review of this matter and is relying upon information obtained from Algoma and the Receiver, which the Monitor has determined appears reasonable.

Date: August 16, 2016

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TAB A

Appendix "A"

(Attached)

FOR OFFICE USE ONLY	2 5 4 6 8 0	CERTIFICATE OF RECEIPT RECEIVED ALGOMA (01) SAULT STE. MARIE *05 03 2 12 30 <i>James T. Melville</i> LAND REGISTRAR	(1) Registry <input type="checkbox"/> Land Titles <input checked="" type="checkbox"/>	(2) Page 1 of 49 pages	Additional: See Schedule <input type="checkbox"/>
	(3) Property Identifier(s) Block Property				
	(4) Nature of Document NOTICE OF AN UNREGISTERED ESTATE, RIGHT, INTEREST OR EQUITY Section 71 - Land Titles Act				
	(5) Consideration Dollars \$				
(6) Description FIRSTLY: Part of Parcels 3176, 3178 and 3179, Algoma West Section (more particularly described on attached Schedule) SECONDLY: Parcels 38, 39, 40, 41, 42, Remainder of Parcels 43, 44, 45, 46, 47, Parcels 48, 49, Remainder of Parcels 142, 143, Parcel 144, Remainder of Parcel 147, Parcels 150, 153, 156, 182, 187, 195, Remainder of Parcels 196, 207, Parcels 208, 212, 220, Remainder of Parcel 225, Parcel 229, and Part of Parcel 148, all in the register for Michipicoten (described on attached schedule) all in the Township of Michipicoten, in the District of Algoma			Additional: See Schedule <input type="checkbox"/>		
New Property Identifiers			(7) This Document Contains:		Additional: See Schedule <input type="checkbox"/>
Executions			(a) Redescription New Easement <input type="checkbox"/> Plan/Sketch <input type="checkbox"/>	(b) Schedule for: Description <input checked="" type="checkbox"/> Additional Parties <input type="checkbox"/> Other <input type="checkbox"/>	

(8) This Document provides as follows:
TO: THE LAND REGISTRAR FOR THE LAND TITLES DIVISION OF ALGOMA (NO. 1)
I, JAMES T. MELVILLE, am the solicitor for ALGOMA STEEL INC.
 I confirm that the applicants have an unregistered estate, right, interest or equity in the land described herein.
 The land is registered in the name of 3814793 Canada Inc. and I hereby apply under Section 71 of the Land Titles Act for the entry of a Notice in the register for the herein referred to parcels.
 This notice will be effective for an indeterminate time.
 The address for service of the applicant is:
105 West Street, P. O. Box 1400, Sault Ste. Marie, ON. P6A 5P2

Continued on Schedule

(9) This Document relates to instrument number(s)

(10) Party(ies) (Set out Status or Interest) Name(s)	Signature(s)	Date of Signature Y M D
ALGOMA STEEL INC. by its solicitor LAIDLAW, PACIOCCO MELVILLE (APPLICANT)	<i>James T. Melville</i> JAMES T. MELVILLE	2005 03 02

(11) Address for Service: **105 West Street, P.O. Box 1400, Sault Ste. Marie, Ontario P6A 5P2**

(12) Party(ies) (Set out Status or Interest) Name(s)	Signature(s)	Date of Signature Y M D
3814793 CANADA INC. (OWNER)		

(13) Address for Service: **c/o Malcolm G. McLeod
494 Albert Street East, Sault Ste. Marie, Ontario P6A 2K2**

(14) Municipal Address of Property not assigned	(15) Document Prepared by: James T. Melville LAIDLAW, PACIOCCO, MELVILLE 421 Bay Street, Suite 604, Sault Ste. Marie, Ontario, P6A 1X3	FOR OFFICE USE ONLY Fees and Tax Registration Fee 60.00 Total 60.00
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Parcel Number	Mining Claim Number
Algoma West Section PROPERTIES	
<p data-bbox="300 178 527 231">Part of Parcel 3179 – Algoma West Section</p> <p data-bbox="300 346 657 388"><i>NDW PCL. 12786 AWS</i></p>	<p data-bbox="763 178 1193 388">Mining Claim SSM 17358, as outlined in red on Plan attached to Patent A-7061 Mining Claim SSM 17359, as outlined in red on Plan attached to Patent A-7062 Mining Claim SSM 17362, being land and land covered by the water of an unnamed lake as shown on Plan attached to Patent A-7065 Mining Claim SSM 17363 as outlined in red on Plan attached to Patent A-7066 That part of Mining Claim SSM 17360 not covered by the water of Lena Lake but including land under the water of an unnamed lake within the limits of this mining claim as shown on Plan attached to Patent A-7063, save and except the surface rights only on and over a strip of land 200 feet in perpendicular width along the shore of Lena Lake Part of Mining Claim SSM 17361 as shown on Plan attached to Patent A-7064 save and except the surface rights only on and over a strip of land 200 feet in perpendicular width along the shore of Lena Lake</p>
<p data-bbox="300 877 527 930">Part of Parcel 3178 – Algoma West Section</p> <p data-bbox="300 987 657 1029"><i>NDW PCL. 12787 AWS</i></p>	<p data-bbox="763 888 1193 993">Mining Claim SSM 17333 being land and land under the water of an unnamed pond as shown on Plan attached to Patent A-7045 Mining Claim SSM 17334 as shown on Plan attached to Patent A-7046 Mining Claim SSM 17335 being land and land covered by the water of an unnamed pond as shown on Plan attached to Patent A-7047 Mining Claim SSM 17336 being land and land under the water of an unnamed pond as shown on Plan attached to Patent A-7048 Mining Claim SSM 17337 being land and land under the water of an unnamed pond as shown on Plan attached to Patent A-7049 Mining Claim SSM 17338 being land and land under the water of two unnamed ponds as shown on Plan attached to Patent A-7050 Mining Claim SSM 17339 being land and land under the water of an unnamed pond as shown on Plan attached to Patent A-7051 Mining Claim SSM 17340 being land and land under the water of an unnamed pond as shown on Plan attached to Patent A-7052 Mining Claim SSM 17341 as shown on Plan attached to Patent A-7053 Mining Claim SSM 17342 as shown on Plan attached to Patent A-7054 Mining Claim SSM 17343 being land and land under the water of Brooks Lake as shown on Plan attached to Patent A-7055</p>

Part of Parcel 3176 – Algoma West Section <i>NDW PCL 12788 AWS</i>	That part of Mining Claim SSM 17650 not covered by the waters of Lena Lake as shown on Plan attached to Patent A-7037, save and except the surface rights only on and over a strip of land along the shores of Lena Lake which strip is bounded by the high water mark of Lena Lake and by a line every point of which is distant 200 feet from the nearest point in the said high water mark.
MICHIPICOTEN PROPERTIES	
Part of Parcel 148 – Michipicoten <i>NDW 1314 MICHIPICOTEN</i>	That part of Mining Claim SSM 21168 not covered by the waters of Lena Lake as shown on Plan attached to Patent A-7520 save and except thereout and therefrom the surface rights only on and over a strip of land along the shore of Lena Lake which strip is bounded by the high water mark of Lena Lake and by a line every point of which is distant 200 feet from the nearest point to the said high water mark.
Parcel 39 – Michipicoten	Mining Claim SSM 18637
Parcel 38 – Michipicoten	Mining Claim SSM 15445
Parcel 40 – Michipicoten	Mining Claim SSM 18638
Parcel 41 – Michipicoten	Being that part of Mining Claim SSM 18639 not covered by the waters of Mildred Lake as shown on Plan attached to Patent A-7363 save and except thereout and therefrom the surface rights only on and over a strip of land along the shores of Mildred Lake and which strip of land is bounded by the high water mark of Mildred Lake and by a line every point of which is distant 200 feet from the nearest point in the said high water mark.
Parcel 42 – Michipicoten	Mining Claim SSM 18640
Remainder of Parcel 43 – Michipicoten	Part of Mining Claim SSM 18641
Remainder of Parcel 44 – Michipicoten	Part of Mining Claim SSM 18642
Remainder of Parcel 45 – Michipicoten	Part of Mining Claim SSM 18643
Remainder of Parcel 46 – Michipicoten	Part of Mining Claim SSM 18644
Remainder of Parcel 47 – Michipicoten	Part of Mining Claim SSM 18645
Parcel 48 – Michipicoten	Mining Claim SSM 23011
Parcel 49 – Michipicoten	Mining Claim SSM 23012
Remainder of Parcel 142 – Michipicoten	Part of Mining Claim SSM 21167
Remainder of Parcel 143 – Michipicoten	Part of Mining Claims SSM 21169 and SSM 21171

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Parcel 144 – Michipicoten	Mining Claim SSM 21166 as shown on Plan attached to Patent A-7516 save and except the surface rights only on and over a strip of land along the shores of Lena Lake and which strip of land is bounded by the high water mark of Lena Lake and by a line every point of which is distant 200 feet from the nearest point in the said high water mark.
Remainder of Parcel 147 – Michipicoten	Part of Mining Claim SSM 23543
Parcel 150 – Michipicoten	Mining Claim SSM 22874
Parcel 153 – Michipicoten	Mining Claim SSM 13687
Parcel 156 – Michipicoten	Mining Claim SSM 23544
Parcel 182 - Michipicoten	Mining Claim SSM 22714
Parcel 187 – Michipicoten	Mining Claim SSM 13686
Parcel 195 – Michipicoten	Mining Claim SSM 22946
Remainder of Parcel 196 – Michipicoten	Part of Mining Claim SSM 22945
Remainder of Parcel 207 – Michipicoten	Part of Mining Claim SSM 22718
Parcel 208 – Michipicoten	Mining Claim SSM 22719
Parcel 212 – Michipicoten	Mining Claim SSM 22726
Parcel 220 – Michipicoten	Mining Claim SSM 22721
Remainder of Parcel 225 – Michipicoten	Part of Mining Claim SSM 22722
Parcel 229 – Michipicoten	Mining Claim SSM 13683 save and except the right-of-way of the Algoma Central and Hudson Bay Railway
ALL IN THE TOWNSHIP OF CHABANEL, NOW THE TOWNSHIP OF MICHIPICOTEN, IN THE DISTRICT OF ALGOMA	

THIRD EYE CAPITAL CORPORATION

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MONITOR'S SUBMISSION

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