

**ONTARIO  
SUPERIOR COURT OF JUSTICE**

BETWEEN:

**2403177 ONTARIO INC.**

Applicant

- and -

**BENDING LAKE IRON GROUP LIMITED**

Respondent

**APPLICATION UNDER SUBSECTION 243(1) OF THE *BANKRUPTCY AND  
INSOLVENCY ACT*, R.S.C. 1985, c. B-3, AS AMENDED AND SECTION 101 OF THE  
*COURTS OF JUSTICE ACT*, R.S.O. 1990, c. C.43, AS AMENDED**

**FIRST REPORT TO THE COURT OF A. FARBER & PARTNERS INC. IN ITS  
CAPACITY AS COURT APPOINTED RECEIVER OF BENDING LAKE IRON GROUP  
LIMITED**

**NOVEMBER 18, 2014**

## INTRODUCTION

1. On September 11, 2014 (the “**Receivership Date**”), pursuant to an order of this Honourable Court (the “**Receivership Order**” and the “**Court**” respectively), A. Farber & Partners Inc. (“**Farber**”) was appointed receiver (“**Receiver**”) of Bending Lake Iron Group Limited (“**BLIG**” or the “**Debtor**”) pursuant to section 243(1) of the *Bankruptcy & Insolvency Act*, R.S.C. 1985, c. B-3 (the “**BIA**”) and Section 101 of the *Courts of Justice Act*, R.S.O. 1990 (the “**CJA**”) over all of the assets, undertakings and properties of BLIG (the “**Property**”). The Receiver is not in possession and does not have the power to manage the Property. A copy of the Receivership Order is attached as **Appendix “A”**.

## PURPOSE OF THE REPORT

2. This is the first report (the “**First Report**”) of the Receiver. The purpose of this First Report is to:
  - a) Report on the Receiver’s activities since the Receivership Date;
  - b) Report on the current state of affairs of the Debtor; and
  - c) Set out the detailed particulars related to a sales and investment solicitation process (“**SISP**”) in respect of the Property, as hereafter described, and seek this Honourable Court’s approval of that process.

## LIMITATION OF REVIEW

3. Farber has relied upon the financial records and information provided by the Debtor as well as other information supplied by former management, accountants, auditors and advisors, and Farber has not independently reviewed or verified such information. The Receiver has prepared this First Report for the sole use of the Court and of the other stakeholders in these proceedings.

## GENERAL BACKGROUND

4. BLIG is an early stage iron ore mine development company whose major asset is a mine site ("**Mine Site**") located northwest of Thunder Bay, Ontario in the Kenora Mining Division and the Dryden Ministry of Natural Resources District. The Mine Site currently has estimated resources in excess of 335 million tons of iron ore.
5. Magnetic iron formation occurrences in the Bending Lake area have been known since the 1890's. A number of mining companies have undertaken exploratory work in the area of the Mine Site with BLIG being the most recent one to do such work.
6. BLIG's registered office is located at 201 Hardisty Street, Thunder Bay, Ontario P7C 3G8 (the "**Premises**").
7. BLIG owns 100% of the iron ore deposit at the Mine Site. The Mine Site consists of 49 patented freehold claims and three Mining Licenses of Occupation ("**MLO**") for a total land area of approximately 624 hectares. The prospective mine was named the Josephine Cone Mine, after the founder's grandmother, a member of the Wabigoon Lake Ojibway Nation who helped stake the original property.
8. BLIG, as described in more detail below, also helped develop and acquire certain beneficial rights in adjacent claims, which are owned and controlled by non-arm's length parties.
9. Although BLIG was successful in raising equity through the period 2008 to 2011 to finance further development of the mine, it was unable to consummate a major financing through 2011 and 2012. Negotiations with numerous parties had occurred including with: i) Liberty Metals and Mining Holdings LLC ("**Liberty**"), to raise Cdn \$20 million, which BLIG was unable to complete in early 2011; and ii) a Chinese entity, Aiwan Investment Corporation ("**Aiwan**"), to raise debt and equity of Cdn \$110 million, which fell apart in the Fall of 2012.
10. In anticipation of a financing being successfully concluded, C. Stuart Livingston and James MacLean (collectively the "**Secured Lenders**") whom made a series of advances under a loan facility totaling \$2 million ("**Loans**"). Advances were made over the period

November 2011 through to September 2012 (as set out below), to help keep the mine development moving forward, while a larger financing transaction was being negotiated and finalized. However, no transaction was able to be finalized and development of the mine was suspended in early 2013 due to lack of funding. Additionally, since that time the Debtor has been unable to service the Loans.

11. Given the suspension of mine development activity in early 2013 described above, there remains significant development activity and consultation that needs to occur for the mine to be in a position to commence mining operations. BLIG was in the process of completing its Federal and Provincial Environmental Assessment processes under both the *Canadian Environmental Assessment Act* and the *Ontario Environmental Act*. The Debtor has not yet obtained the necessary permits to commence mining activities. The Project Description, which is the first step in the Federal Environmental Assessment process, was submitted in early 2012 but, as with other mine development steps, was halted due to lack of liquidity.

## SECURED LOANS

12. BLIG is indebted to the Secured Lenders pursuant to a credit facility (the “**Credit Facility**”) made available by the Secured Lenders pursuant to and under the terms of a loan agreement made among Arm’s Length Holding’s Inc. (the “**Prior Security Agent**”), C. Stuart Livingston, and the Debtor dated November 2, 2011, as amended by an Amendment to Loan Agreement dated March 21, 2012, a Second Amendment to Loan Agreement dated July 6, 2012, and a Third Amendment to Loan Agreement dated September 11, 2012, all made among the Prior Security Agent, C. Stuart Livingston and the Debtor (collectively, and as further amended, supplemented, restated or replaced, from time to time, the “**Loan Agreement**”).
13. BLIG provided security for these Loan obligations as set out in detail in the affidavit of C. Stuart Livingston, sworn July 22, 2014 (the “**Livingston Affidavit**”), filed in support of the motion to appoint the Receiver. A copy of the Livingston Affidavit, without exhibits, is attached as **Appendix “B”**.

14. BLIG was indebted to the Secured Lenders<sup>1</sup>, pursuant to the Loan Agreement, for the following sums for principal and interest (including administrative and forbearance fees, as applicable) as at June 1, 2014:

Outstanding Loan Principal:	CDN \$	2,272,500.00
Interest to June 1 2014:	CDN \$	847,659.32
<b>Total Outstanding Indebtedness:</b>	<b>CDN \$</b>	<b>3,120,159.32</b>

15. As at October 31, 2014, the total outstanding in respect of the Loan including accrued interest, fees and costs approximates \$3.5 million.

## RECEIVER'S ACTIVITIES

16. Effective the Receivership Date the Debtor had no employees. Most former employees ceased employment in May and June of 2013 due to lack of funding. The Receiver was advised that any activity, including accounting undertaken through late 2013 and 2014, was undertaken through non arm's-length entities owned and controlled by members of BLIG's founder's family, Mr. Henry Wetelainen, along with Ms. Dawn MacKay (Mr. Wetelainen and Ms. MacKay are currently directors of BLIG).
17. Following issuance of the Receivership Order, the Receiver attended the Premises of the Debtor on September 11-12, 2014, to meet with BLIG's directors, to commence reviewing the books and records, and to assess the current status of the mine development and related mining claims of the Debtor. A further attendance was coordinated on October 23-24, 2014. Key activities undertaken by the Receiver since the Receivership Date include:
- a) Meeting with Mr. Henry Wetelainen and Ms. Dawn MacKay, along with the former book-keeper, Ms. Susan King, to review the financial position, state of affairs of the Debtor and to explain the nature and extent of the receivership appointment and various roles and responsibilities;

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<sup>1</sup> Effective January 28, 2014, the Prior Security Agent, C. Stuart Livingston, James MacLean and 2403177 Ontario Inc. (the "Security Agent") entered into an Assignment Agreement (the "Assignment Agreement") whereby all of the Prior Security Agent's right, title and interest in and to the Loan Agreement and the Security were assigned to the Security Agent.

- b) Reviewing the books and records and saving a backup of the general ledger and accounting system as maintained and recorded in the QuickBooks accounting system;
- c) Providing immediate notice to the Debtor's banking institutions to confirm the Receiver's appointment and instruction to freeze all accounts;
- d) Obtaining copies of certain agreements and correspondence;
- e) Reviewing the Premises, including storage of iron ore core samples in the basement of the Premises;
- f) Reviewing of certain priority claims;
- g) Attending to completion and mailing of the Receiver's Notice and Statement pursuant to sections 245 and 246 of the BIA;
- h) Liaising with the Ministry of Northern Development and Mines ("MNDM") regarding the Receivership Order and confirming the status of 49 patented freehold claims and three MLOs the Debtor holds. In addition, undertaking review and enquiry with the MNDM to assess the status of certain adjacent claims that the Debtor purportedly had a beneficial interest in;
- i) Liaising with the Canada Revenue Agency ("CRA") regarding the status of tax returns and potential priority claims;
- j) Liaising with the Ontario Ministry of Finance regarding the status of outstanding property taxes on the Debtor Property;
- k) Liaising with and attending at the office of Sheldon Huxtable Professional Corporation to review the Debtor's minute books and shareholder listings and obtain copies of relevant extracts;
- l) Reviewing the particulars of the lease for the Premises and current status of same;
- m) Responding to creditor queries including dealing with the Ministry of Labour over unpaid wage claims;

- n) Undertaking discussions on responsibility for funding of the receivership administration costs;
- o) Engaging in discussions with interested parties;
- p) Formulating a SISP process and required supporting documentation; and
- q) Drafting of the First Report.

## **DEBTOR STATUS AND PRELIMINARY FINDINGS**

18. The most recent audited financial statements of the Debtor are for the year ended December 31, 2011, as completed by BDO Canada LLP. The most recently prepared internal financial statements are effective August 31, 2014. The Receiver notes that: (i) the Loans have not been updated for interest charges and costs accrued through 2012, 2013 and 2014 with the liability to the Secured Lenders understated by approximately \$1.3 million; (ii) the current assets show a potential HST refund of \$463,017.89. However, after consultation with CRA and discussions with BLIG's former bookkeeper, the Receiver doubts that there is any refund due to BLIG. Instead, the Receiver believes that a claim for unremitted payroll deductions of \$63,596.83, which is further commented on below, may exist; (iii) there appears to be no near liquid assets or other assets which can be monetized in the near term to fund the costs of administering these proceedings.
19. From a financial position perspective, the Debtor has no liquidity and as a consequence any funding of the receivership proceeding is from funds that the Secured Lenders are prepared to advance. Additionally, there is an Administration Charge per paragraph 20 of the Receivership Order, which charge shall not exceed in aggregate the amount \$300,000, as security for the professional fees and disbursement incurred by the Receiver, its legal counsel and the Respondent's legal counsel.
20. As the Receiver is not in possession, the Receivership Order grants a charge to protect counsel for the Debtor as there may be legal work for which the Debtor continues to have responsibility (as the Receiver's powers do not extend to managing the Property). The Receiver does want to ensure that legal work in relation to the Debtor is done on the most

efficient basis and that any overlap is reduced to the greatest extent possible. This is even more critical where the only source of funds is the Secured Lenders and the Debtor has no financial ability to pay counsel independently. While the Receiver believes that a protocol can be put in place with counsel to the Debtor to avoid such duplication, and avoid incurring unnecessary expenses, it is possible that the Security Agent, on behalf of the Secured Lenders, may want to amend the Receivership Order to set this out in more detail if a protocol acceptable to the parties cannot be established.

21. The status of BLIG's interest in various mining claims is summarized as follows:

***Patented Freehold Claims and MLO:***

- Effective September 11, 2014, BLIG is the registered owner of 49 patented (freehold) mining claims and three MLO's. A listing of the 49 patented mining claims is attached as **Appendix "C"**. MNDM had provided notices to the Debtor, on June 27, 2014, that unpaid fees of \$5,952.58 had to be paid by December 31, 2014, or such claims/LOC would be forfeited. MNDM has since acknowledged that it is subject to the stay of proceedings under the Receivership Order. However, notwithstanding the stay, in consultation with the Secured Lenders, the Receiver intends to pay the unpaid fees prior to December 31, 2014 to ensure the claims remain in good standing.

***Adjacent Claims:***

- During the recent development phase of the mine, in particular through 2011 and 2012, a series of contiguous unpatented claims were staked and maintained for future mine access and infrastructure purposes. This series of unpatented claims extended northeast from Bending Lake Area into the Revell Lake Area, Raleigh Lake Area, Ilsley Township and Bradshaw Township. Under the *Mining Act* (Ontario), annual exploration expenditures of \$400 per claim unit must be spent on unpatented mining claims in order to maintain entitlement to the claim.<sup>2</sup> Assessment work paid for by

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<sup>2</sup> One unit = 16 hectares; the number of units per claim can range as high as 16 units.



BLIG was able to be used and assigned as assessment work on these adjacent claims, in order to maintain them in good standing.

- The unpatented mining claims were staked in the name of Windigo Ridge Resources Inc. (“**Windigo**”) and had been optioned to BLIG. Windigo is a non-arm’s length entity in which the directors and management of BLIG have a financial interest. A listing of the contiguous unpatented mining claims held by Windigo for BLIG’s beneficial interest is attached as **Appendix “D”**.
  - Effective October 31, 2014, many of the Windigo unpatented claims previously in place, and on which BLIG had a beneficial interest (ROFR (defined below) and surface rights), have been forfeited due to the fact that there was no liquidity to continue with the required annual exploration expenditure (assessment work). Effective October 31, 2014, Windigo held 15 unpatented claims. This compares to 93 contiguous unpatented claims held by Windigo as reported in an independent technical report compiled by Fladgate Exploration and Consulting Corporation (“**Fladgate**”), in the form of National Instrument NI 43-101 dated November 8, 2011 (the “**NI 43-101 Report**”).
  - In addition, there were also eleven (11) freehold patents which were registered and owned by 1584859 Ontario Incorporated (“**1584859**”). 1584859 is a non-arm’s length party in which the directors and management of BLIG have a financial interest. A listing of 1584859’s patented mining claims is attached as **Appendix “E”**.
22. BLIG had entered into rights of first refusal agreements (“**ROFR**”) with both Windigo and 1584859. At this time, the Receiver is reviewing the various ROFR and other agreements that the Debtor entered into with Windigo and 1584859 to review their validity and enforceability regarding any rights BLIG may have with respect to claims adjacent to the BLIG Property.

## **POTENTIAL PRIORITY CLAIMS**

23. The Receiver has liaised with CRA regarding claims that may take priority over the Loans. At this time, based on a letter from CRA dated October 20, 2014, CRA payroll related

obligations owing total \$63,596.83, of which \$46,776.04 is indicated as being a deemed trust portion of the claim.

24. In addition, CRA wishes to complete a review of HST returns filed by the Debtor. CRA indicates that two returns still need to be filed. At this time, CRA has not notified the Receiver of any indebtedness related to HST, however, an ultimate determination of such indebtedness will be subject to CRA review.
25. Since the Appointment Date, the Receiver has been provided notice related to unpaid wages and expenses of two former employees; (i) Mr. A. Raoul owed \$74,355.97; and (ii) Mr. A. Stevens owed \$2,895.23, as a result of a claim filed through the Ministry of Labour. All of these unpaid wages and out of pocket expenses date back to 2013, more than six months prior to the date of the Receivership Order, and thus are not afforded security or priority pursuant section 81.4(1) of the BIA.
26. There is \$5,952.58 owing by the Debtor, as set out in paragraph 22 above, with respect to the property taxes and fees owing on patented claims and MLO's.

#### **PROPOSED SALES AND INVESTMENT SOLICITATION PROCESS**

27. In the Receiver's review of previous efforts to secure financing and a recapitalization of the Debtor in order to complete the development of the mine, the Debtor, its management and advisors had made extensive efforts with a large number of parties to try and secure financing. A list of parties reviewed by the Receiver (as provided by directors of BLIG) showed in excess of 20 parties, (including the aforementioned Liberty and Aiwan), which BLIG has approached since 2011 that had expressed an interest in investing in the business and/or had entered into agreements to source additional financing, including the aforementioned Liberty and Aiwan. However, no transaction was able to be finalized.
28. In addition, as detailed in the Livingston Affidavit, the Secured Lenders provided extensive time and accommodations in order to provide the Debtor with a reasonable time and opportunity to seek additional financing and/or effect a restructuring of the affairs of the Debtor. However, the Debtor and its management team were unsuccessful at the time.

29. Based on its review and enquiries since its appointment, and given the Debtor's efforts in the pre-receivership period to seek additional financing, the Receiver has determined that the market should be canvassed through a court supervised sales process in order to attempt to effect a restructuring or sale of the Debtor and its Property. As a result, the Receiver has formulated a sales and investment solicitation process (the "**SISP**"), for which approval is being sought from this Honourable Court. The SISP is anticipated to be conducted over a four month period, during which time the Receiver will endeavor to secure proposals for investment in the Debtor and/or offers to purchase all of the Property of BLIG, and thereafter enter into a definitive asset purchase agreement or transaction, subject to subsequent Court approval. The principal elements of a SISP are set out below:

- In order to expose the Property to the market place, the SISP contemplates that the Receiver will canvass the market for interested parties ("**Interested Parties**") to invest in and/or purchase all or substantially all of the right title and interest in the Property in order to try and complete a timely restructuring of the mine. The proposed SISP timetable is set out on the attached **Appendix "F"**.
- Compile a list of interested parties through consultation with the Debtor and Farber's network of advisors and investors in both the mining and investment community.
- Advertise BLIG, the Property and the SISP in the national edition of the Globe & Mail and the Northern Miner (the "**Advertisements**") within 10 business days of the issuance of the Court Order approving the SISP.
- Send an information summary (the "**Teaser**") and non-disclosure agreement ("**NDA**") to all parties the Receiver identifies as potentially having an interest in BLIG/or the Property.
- The investment or purchase opportunity will also be posted on the Receiver's web site.

- Not later than ten business days after the SISP is approved by this Honourable Court, the Receiver shall establish an electronic data room containing information in respect of BLIG and the Property.
- Parties expressing an interest in participating in the SISP (the “**Interested Parties**”) will be required to execute the NDA, upon which Interested Parties will receive available information in respect of BLIG, including access to the Receiver’s data room, once established, which will also include a Confidential Information Memorandum (“**CIM**”) setting out the investment and/or purchase opportunity.
- The Receiver will arrange site visits with the Debtor to allow Interested Parties the opportunity to visit the BLIG Premises in order to assist Interested Parties with their due diligence efforts.
- The Receiver will offer the Property for sale on an “as-is, where-is” basis, without representations or warranties with respect to BLIG and/or the Property.
- Prospective Purchasers will have until **4:00 pm Eastern Standard Time, on Friday, February 27, 2015** (the “**Bid Deadline**”) to submit a binding offer and proposals (hereinafter called “**Offer**”), which must include a cash deposit equal to 10% of the total purchase price/investment for the Debtor and/or the Property subject to the Offer (the “**Deposit**”). The Deposit will be refunded in the event an Offer, as submitted, is not accepted by the Receiver.
- Offers are to be made using a template form of asset purchase agreement that the Receiver will prepare (the “**APA**”) and are to be without conditions, other than a condition for court approval. Offers shall remain open for acceptance by the Receiver until at least **4:00 pm Eastern Standard Time, Friday March 6, 2015**.
- Following the Bid Deadline, the Receiver will review and assess all Offers received, if any, including review and consultation on such Offers with the Secured Lenders (provided that the Secured Lenders are not making Offers).

- Based on its review of the Offers, the Receiver will determine the most favourable outcome and will proceed to finalize the APA(s) and or transaction, with the successful offering party or parties, subject only to court approval.
- If the Receiver is unable to finalize the APA or transaction with the successful offering party or parties, the Receiver shall be at liberty to finalize an APA/ transaction with such other offering party or parties as it deems appropriate, subject to consulting first with the Secured Lenders.
- The Receiver shall have the right to extend the timelines set forth in the SISP as described herein for up to 30 days. All other extensions to the SISP shall require court approval.
- In the event one or more APAs receive court approval, the Receiver will work with the successful purchaser(s) to close the transaction(s) forthwith thereafter.

30. The Receiver is currently in the process of drafting and finalizing a CIM based on information provided by various parties. In addition, a draft NDA document is being completed, while the information to populate a virtual data room, which the Receiver will maintain, is currently being compiled.

## **RECOMMENDATIONS**

31. The Receiver respectfully requests that this Honourable Court approve:

- a) the Receiver's activities from the Receivership Date to the date of this Report; and
- b) the SISP as set out above.

**A. Farber & Partners Inc. in its capacity as  
Court Appointed Receiver of Bending Lake Iron Group Limited  
and not in its personal or corporate capacity**

A. Farber & Partners Inc.

**TAB A**

**ONTARIO**

**SUPERIOR COURT OF JUSTICE**

THE HONOURABLE  
JUSTICE

**D.C. SHAW**

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THURSDAY, THE 11<sup>th</sup>  
DAY OF SEPTEMBER, 2014

2403177 ONTARIO INC.

Applicant

- and -

BENDING LAKE IRON GROUP LIMITED

Respondent

APPLICATION UNDER SUBSECTION 243(1) OF THE *BANKRUPTCY AND INSOLVENCY ACT*, R.S.C. 1985, c. B-3, AS AMENDED AND SECTION 101 OF THE *COURTS OF JUSTICE ACT*, R.S.O. 1990, c. C.43, AS AMENDED

**ORDER**  
**(appointing Receiver)**

**THIS APPLICATION** made by the Applicant for an Order pursuant to section 243(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the "**BIA**") and section 101 of the *Courts of Justice Act*, R.S.O. 1990, c. C.43, as amended (the "**CJA**") appointing A. Farber & Partners Inc. ("**Farber**") as receiver (in such capacities, the "**Receiver**") of all of the assets, undertakings and properties of Bending Iron Group Limited (the "**Debtor**") acquired for, or used in relation to a business carried on by the Debtor including all proceeds thereof (collectively, the "**Property**"), was heard this day at 125 Brodie St N, Thunder Bay, Ontario.

**ON READING** the Application Record and Supplementary Record, filed, including the affidavit of C. Stuart Livingston sworn on July 22, 2014 and the Exhibits thereto, the Report of Farber in its capacity as prospective Receiver dated July 25, 2014, the Applicant's Factum and Book of Authorities, and on hearing the submissions of counsel for the applicant 2403177 Ontario Inc. (the "**Security Agent**"), the Respondent and the proposed Receiver, the Respondent having been duly served with the Notice of Application, Application Record, Supplementary Application Record, Applicant's Factum and Book of Authorities as appears from the affidavits of service of Perry Morgan sworn July 24, 2014 and July 28, 2014, Stacey Pawluk sworn July 24, 2014 and July 25, 2014 and Sabrina Karpowich sworn August 7, 2014 and on reading the consent of Farber to act as the Receiver,

#### **SERVICE**

1. **THIS COURT ORDERS** that the time for service of the Notice of Application and the Application Record is hereby abridged and validated so that this application is properly returnable today and hereby dispenses with further service thereof.

#### **APPOINTMENT**

2. **THIS COURT ORDERS** that pursuant to section 243(1) of the BIA and section 101 of the CJA, Farber is hereby appointed Receiver, without security, of all of the Property.

#### **RECEIVER'S POWERS**

3. **THIS COURT ORDERS** that except as expressly set out herein or in a further Order of the Court, the Receiver is not appointed as manager of the Debtor and shall not take possession or control of the Property or operate the business of the Debtor or employ any of the Debtor's employees (and for greater certainty, subject to the terms of this Order or any further Order of the Court, the Property shall remain in the possession and control of the Debtor), but the Receiver is hereby expressly empowered and authorized, but not obligated, to do any of the following where the Receiver considers it necessary or desirable:



- (a) to prepare and file a Proposal and/or a Notice of Intention to file a Proposal pursuant to Part III the BIA in the name and on behalf of the Debtor;
- (b) to engage consultants, appraisers, agents, experts, auditors, accountants, managers, counsel and such other persons from time to time and on whatever basis, including on a temporary basis, to assist with the exercise of the Receiver's powers and duties, including without limitation those conferred by this Order;
- (c) to receive and collect all monies and accounts now owed or hereafter owing to the Debtor and to exercise all remedies of the Debtor in collecting such monies, including, without limitation, to enforce any security held by the Debtor;
- (d) to settle, extend or compromise any indebtedness owing to the Debtor;
- (e) to execute, assign, issue and endorse documents of whatever nature in respect of any of the Property, whether in the Receiver's name or in the name and on behalf of the Debtor, for any purpose pursuant to this Order;
- (f) to initiate, prosecute and continue the prosecution of any and all proceedings and to defend all proceedings now pending or hereafter instituted with respect to the Debtor, the Property or the Receiver, and to settle or compromise any such proceedings. The authority hereby conveyed shall extend to such appeals or applications for judicial review in respect of any order or judgment pronounced in any such proceeding;
- (g) to market any or all of the Property, including advertising and soliciting offers in respect of the Property or any part or parts thereof and negotiating such terms and conditions of sale as the Receiver in its discretion may deem appropriate;

(h) to sell, convey, transfer, lease or assign the Property or any part or parts thereof out of the ordinary course of business,

(i) without the approval of this Court in respect of any transaction not exceeding \$50,000, provided that the aggregate consideration for all such transactions does not exceed \$250,000; and

(ii) with the approval of this Court in respect of any transaction in which the purchase price or the aggregate purchase price exceeds the applicable amount set out in the preceding clause;

and in each such case notice under subsection 63(4) of the Ontario *Personal Property Security Act*, or section 31 of the Ontario *Mortgages Act*, as the case may be, shall not be required, and in each case the Ontario *Bulk Sales Act* shall not apply.

(i) to apply for any vesting order or other orders necessary to convey the Property or any part or parts thereof to a purchaser or purchasers thereof, free and clear of any liens or encumbrances affecting such Property;

(j) to report to, meet with and discuss with such affected Persons (as defined below) as the Receiver deems appropriate on all matters relating to the Property and the receivership, and to share information, subject to such terms as to confidentiality as the Receiver deems advisable;

(k) to register a copy of this Order and any other Orders in respect of the Property against title to any of the Property;

(l) to apply for any permits, licences, approvals or permissions as may be required by any governmental authority and any renewals thereof for and on behalf of and, if thought desirable by the Receiver, in the name of the Debtor;

- (m) to enter into agreements with any trustee in bankruptcy appointed in respect of the Debtor, including, without limiting the generality of the foregoing, the ability to enter into occupation agreements for any property owned or leased by the Debtor;
- (n) to exercise any shareholder, partnership, joint venture or other rights which the Debtor may have;
- (o) to take any steps reasonably incidental to the exercise of these powers or the performance of any statutory obligations.

and in each case where the Receiver takes any such actions or steps, it shall be exclusively authorized and empowered to do so, to the exclusion of all other Persons (as defined below), including the Debtor, and without interference from any other Person.

4. **THIS COURT ORDERS** that neither the making of this Order nor anything in this Order shall deem the Receiver to be an owner of any of the Property for any purpose and that neither the making of this Order or anything in this Order shall vest in the Receiver the care, ownership, control, charge, occupation, possession or management of any of the Property, or the business or operations of the Debtor. For greater certainty, the Receiver shall not employ any of the employees of the Debtor.

#### **DUTY TO PROVIDE ACCESS AND CO-OPERATION TO THE RECEIVER**

5. **THIS COURT ORDERS** that (i) the Debtor, (ii) all of its current and former directors, officers, employees, agents, accountants, legal counsel and shareholders, and all other persons acting on its instructions or behalf, and (iii) all other individuals, firms, corporations, governmental bodies or agencies, or other entities having notice of this Order (all of the foregoing, collectively, being "**Persons**" and each being a "**Person**") shall forthwith advise the Receiver of the existence of any Property in such Person's possession or control, shall grant immediate and continued access to the Property to the Receiver, and shall deliver all such Property to the Receiver upon the Receiver's request.

6. **THIS COURT ORDERS** that all Persons shall forthwith advise the Receiver of the existence of any books, documents, securities, contracts, orders, corporate and accounting records, and any other papers, records and information of any kind related to the business or affairs of the Debtor, and any computer programs, computer tapes, computer disks, or other data storage media containing any such information (the foregoing, collectively, the "**Records**") in that Person's possession or control, and shall provide to the Receiver or permit the Receiver to make, retain and take away copies thereof and grant to the Receiver unfettered access to and use of accounting, computer, software and physical facilities relating thereto, provided however that nothing in this paragraph 6 or in paragraph 7 of this Order shall require the delivery of Records, or the granting of access to Records, which may not be disclosed or provided to the Receiver due to the privilege attaching to solicitor-client communication or due to statutory provisions prohibiting such disclosure.

7. **THIS COURT ORDERS** that if any Records are stored or otherwise contained on a computer or other electronic system of information storage, whether by independent service provider or otherwise, all Persons in possession or control of such Records shall forthwith give unfettered access to the Receiver for the purpose of allowing the Receiver to recover and fully copy all of the information contained therein whether by way of printing the information onto paper or making copies of computer disks or such other manner of retrieving and copying the information as the Receiver in its discretion deems expedient, and shall not alter, erase or destroy any Records without the prior written consent of the Receiver. Further, for the purposes of this paragraph, all Persons shall provide the Receiver with all such assistance in gaining immediate access to the information in the Records as the Receiver may in its discretion require including providing the Receiver with instructions on the use of any computer or other system and providing the Receiver with any and all access codes, account names and account numbers that may be required to gain access to the information.

#### **NO PROCEEDINGS AGAINST THE RECEIVER**

8. **THIS COURT ORDERS** that no proceeding or enforcement process in any court or tribunal (each, a "**Proceeding**"), shall be commenced or continued against the Receiver except with the written consent of the Receiver or with leave of this Court.

### **NO PROCEEDINGS AGAINST THE DEBTOR OR THE PROPERTY**

9. **THIS COURT ORDERS** that no Proceeding against or in respect of the Debtor or the Property shall be commenced or continued except with the written consent of the Receiver or with leave of this Court and any and all Proceedings currently under way against or in respect of the Debtor or the Property are hereby stayed and suspended pending further Order of this Court.

### **NO EXERCISE OF RIGHTS OR REMEDIES**

10. **THIS COURT ORDERS** that all rights and remedies against the Debtor, the Receiver, or affecting the Property, are hereby stayed and suspended except with the written consent of the Receiver or leave of this Court, provided however that this stay and suspension does not apply in respect of any "eligible financial contract" as defined in the BIA, and further provided that nothing in this paragraph shall (i) empower the Receiver or the Debtor to carry on any business which the Debtor is not lawfully entitled to carry on, (ii) exempt the Receiver or the Debtor from compliance with statutory or regulatory provisions relating to health, safety or the environment, (iii) prevent the filing of any registration to preserve or perfect a security interest, or (iv) prevent the registration of a claim for lien.

### **NO INTERFERENCE WITH THE RECEIVER**

11. **THIS COURT ORDERS** that no Person shall discontinue, fail to honour, alter, interfere with, repudiate, terminate or cease to perform any right, renewal right, contract, agreement, licence or permit in favour of or held by the Debtor, without written consent of the Receiver or leave of this Court.

### **CONTINUATION OF SERVICES**

12. **THIS COURT ORDERS** that all Persons having oral or written agreements with the Debtor or statutory or regulatory mandates for the supply of goods and/or services, including without limitation, all computer software, communication and other data services, centralized banking services, payroll services, insurance, transportation services, utility or other services to the Debtor are hereby restrained until further Order of this Court from discontinuing, altering, interfering with or terminating the supply of such goods or services as may be required by the Debtor, and that the Debtor shall be entitled to the continued use of the Debtor's current

telephone numbers, facsimile numbers, internet addresses and domain names, provided in each case that the normal prices or charges for all such goods or services received after the date of this Order are paid by the Debtor in accordance with normal payment practices of the Debtor or such other practices as may be agreed upon by the supplier or service provider and the Debtor, or as may be ordered by this Court.

### **RECEIVER TO HOLD FUNDS**

13. **THIS COURT ORDERS** that all funds, monies, cheques, instruments, and other forms of payments received or collected by the Receiver from and after the making of this Order from any source whatsoever, including without limitation the sale of all or any of the Property and the collection of any accounts receivable in whole or in part, whether in existence on the date of this Order or hereafter coming into existence, shall be deposited into one or more new accounts to be opened by the Receiver (the "**Post Receivership Accounts**") and the monies standing to the credit of such Post Receivership Accounts from time to time, net of any disbursements provided for herein, shall be held by the Receiver to be paid in accordance with the terms of this Order or any further Order of this Court.

### **EMPLOYEES**

14. **THIS COURT ORDERS** that all employees of the Debtor shall remain the employees of the Debtor until such time as the Debtor may terminate the employment of such employees. The Receiver shall not be liable for any employee-related liabilities, including any successor employer liabilities as provided for in section 14.06(1.2) of the BIA, other than such amounts as the Receiver may specifically agree in writing to pay, or in respect of its obligations under sections 81.4(5) or 81.6(3) of the BIA or under the *Wage Earner Protection Program Act*.

### **PIPEDA**

15. **THIS COURT ORDERS** that, pursuant to clause 7(3)(c) of the *Canada Personal Information Protection and Electronic Documents Act*, the Receiver shall disclose personal information of identifiable individuals to prospective purchasers or bidders for the Property and to their advisors, but only to the extent desirable or required to negotiate and attempt to complete one or more sales of the Property (each, a "**Sale**"). Each prospective or bidder to whom such personal information is disclosed shall maintain and protect the privacy of such information and

limit the use of such information to its evaluation of the Sale, and if it does not complete a Sale, shall return all such information to the Receiver, or in the alternative destroy all such information. The purchaser of any Property shall be entitled to continue to use the personal information provided to it, and related to the Property purchased, in a manner which is in all material respects identical to the prior use of such information by the Debtor, and shall return all other personal information to the Receiver, or ensure that all other personal information is destroyed.

#### **LIMITATION ON ENVIRONMENTAL LIABILITIES**

16. **THIS COURT ORDERS** that nothing herein contained shall require the Receiver to occupy or to take control, care, charge, possession or management (separately and/or collectively, "**Possession**") of any of the Property that might be environmentally contaminated, might be a pollutant or a contaminant, or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to any federal, provincial or other law respecting the protection, conservation, enhancement, remediation or rehabilitation of the environment or relating to the disposal of waste or other contamination including, without limitation, the *Canadian Environmental Protection Act*, the *Ontario Environmental Protection Act*, the *Ontario Water Resources Act*, or the *Ontario Occupational Health and Safety Act* and regulations thereunder (the "**Environmental Legislation**"), provided however that nothing herein shall exempt the Receiver from any duty to report or make disclosure imposed by applicable Environmental Legislation. The Receiver shall not, as a result of this Order or anything done in pursuance of the Receiver's duties and powers under this Order, be deemed to be in Possession of any of the Property within the meaning of any Environmental Legislation, unless it is actually in possession.

#### **LIMITATION ON THE RECEIVER'S LIABILITY**

17. **THIS COURT ORDERS** that the Receiver shall incur no liability or obligation as a result of its appointment or the carrying out the provisions of this Order, save and except for any gross negligence or wilful misconduct on its part, or in respect of its obligations under sections 81.4(5) or 81.6(3) of the BIA or under the *Wage Earner Protection Program Act*. Nothing in

this Order shall derogate from the protections afforded the Receiver by section 14.06 of the BIA or by any other applicable legislation.

### **RECEIVER'S ACCOUNTS**

18. **THIS COURT ORDERS** that the Receiver and counsel to the Receiver shall be paid their reasonable fees and disbursements, in each case at their standard rates and charges. The Receiver and its legal counsel shall pass its accounts from time to time, and for this purpose the accounts of the Receiver and its legal counsel are hereby referred to a judge of the Ontario Superior Court of Justice.

19. **THIS COURT ORDERS** that prior to the passing of its accounts, the Receiver shall be at liberty from time to time to apply reasonable amounts, out of the monies in its hands, against its fees and disbursements, including legal fees and disbursements, incurred at the normal rates and charges of the Receiver or its counsel, and such amounts shall constitute advances against its remuneration and disbursements when and as approved by this Court.

### **ADMINISTRATION CHARGE**

20. **THIS COURT ORDERS** that the Receiver, counsel to the Receiver and counsel to the Respondent shall be entitled to and are hereby granted a charge (the "Administration Charge") on the Property, which charge shall not exceed an aggregate amount of \$300,000, as security for their professional fees and disbursements incurred at the standard rates and charges of the Receiver and such counsel, both before and after the making of this Order in respect of these proceedings, and that the Administration Charge shall form a first charge on the Property in priority to all security interests, trusts, liens, charges and encumbrances, statutory or otherwise, in favour of any Person, but subject to sections 14.06(7), 81.4(4), and 81.6(2) of the BIA.

### **FUNDING OF THE RECEIVERSHIP**

21. **THIS COURT ORDERS** that the Receiver be at liberty and it is hereby empowered to borrow by way of a revolving credit or otherwise, such monies from time to time as it may consider necessary or desirable, provided that the outstanding principal amount does not exceed \$250,000 (or such greater amount as this Court may by further Order authorize) at any time, at



such rate or rates of interest as it deems advisable for such period or periods of time as it may arrange, for the purpose of funding the exercise of the powers and duties conferred upon the Receiver by this Order, including interim expenditures. The whole of the Property shall be and is hereby charged by way of a fixed and specific charge (the "**Receiver's Borrowings Charge**") as security for the payment of the monies borrowed, together with interest and charges thereon, in priority to all security interests, trusts, liens, charges and encumbrances, statutory or otherwise, in favour of any Person, but subordinate in priority to the Receiver's Charge and the charges as set out in sections 14.06(7), 81.4(4), and 81.6(2) of the BIA.

22. **THIS COURT ORDERS** that neither the Receiver's Borrowings Charge nor any other security granted by the Receiver in connection with its borrowings under this Order shall be enforced without leave of this Court.

23. **THIS COURT ORDERS** that the Receiver is at liberty and authorized to issue certificates substantially in the form annexed as Schedule "A" hereto (the "**Receiver's Certificates**") for any amount borrowed by it pursuant to this Order.

24. **THIS COURT ORDERS** that the monies from time to time borrowed by the Receiver pursuant to this Order or any further order of this Court and any and all Receiver's Certificates evidencing the same or any part thereof shall rank on a *pari passu* basis, unless otherwise agreed to by the holders of any prior issued Receiver's Certificates.

#### **SERVICE AND NOTICE**

25. **THIS COURT ORDERS** that the E-Service Protocol of the Commercial List (the "**Protocol**") is approved and adopted by reference herein and, in this proceeding, the service of documents made in accordance with the Protocol (which can be found on the Commercial List website at <http://www.ontariocourts.ca/scj/practice/practice-directions/toronto/e-service-protocol/>) shall be valid and effective service. Subject to Rule 17.05 this Order shall constitute an order for substituted service pursuant to Rule 16.04 of the Rules of Civil Procedure. Subject to Rule 3.01(d) of the Rules of Civil Procedure and paragraph 21 of the Protocol, service of documents in accordance with the Protocol will be effective on transmission.

26. **THIS COURT ORDERS** that if the service or distribution of documents in accordance with the Protocol is not practicable, the Receiver is at liberty to serve or distribute this Order, any other materials and orders in these proceedings, any notices or other correspondence, by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery or facsimile transmission to the Debtor's creditors or other interested parties at their respective addresses as last shown on the records of the Debtor and that any such service or distribution by courier, personal delivery or facsimile transmission shall be deemed to be received on the next business day following the date of forwarding thereof, or if sent by ordinary mail, on the third business day after mailing.

#### **GENERAL**

27. **THIS COURT ORDERS** that the Receiver may from time to time apply to this Court for advice and directions in the discharge of its powers and duties hereunder.

28. **THIS COURT ORDERS** that nothing in this Order shall prevent the Receiver from acting as a proposal trustee or court-appointed monitor of the undertakings, property and assets of the Debtor or a trustee in bankruptcy of the Debtor.

29. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States to give effect to this Order and to assist the Receiver and its agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Receiver, as an officer of this Court, as may be necessary or desirable to give effect to this Order or to assist the Receiver and its agents in carrying out the terms of this Order.

30. **THIS COURT ORDERS** that the Receiver be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order, and that the Receiver is authorized and empowered to act as a representative in respect of the within proceedings for the purpose of having these proceedings recognized in a jurisdiction outside Canada.

31. **THIS COURT ORDERS** that the Applicant shall have its costs of this application, up to and including entry and service of this Order, provided for by the terms of the Applicant's security or, if not so provided by the Applicant's security, then on a substantial indemnity basis to be paid by the Receiver from the Debtor's estate with such priority and at such time as this Court may determine.

32. **THIS COURT ORDERS** that any interested party may apply to this Court to vary or amend this Order on not less than seven (7) days' notice to the Receiver and to any other party likely to be affected by the order sought or upon such other notice, if any, as this Court may order.

ENTRE \_\_\_\_\_ BOOK \_\_\_\_\_  
INSUIT \_\_\_\_\_ REGISTRAR \_\_\_\_\_  
DATE Sept 11, 2014  
No. 1649 PER SV  
No. \_\_\_\_\_ POUR \_\_\_\_\_

*W. Mahlis*

## SCHEDULE "A"

### RECEIVER CERTIFICATE

CERTIFICATE NO. \_\_\_\_\_

AMOUNT \$ \_\_\_\_\_

1. **THIS IS TO CERTIFY** that A. Farber & Partners Inc., the receiver (the "**Receiver**") of the assets, undertakings and properties Bending Lake Iron Group Limited (the "**Debtor**") acquired for, or used in relation to a business carried on by the Debtor, including all proceeds thereof (collectively, the "**Property**") appointed by Order of the Ontario Superior Court of Justice (the "**Court**") dated the \_\_\_\_ day of \_\_\_\_\_, 2014 (the "**Order**") made in an application having Court file number \_\_-CL-\_\_\_\_\_, has received as such Receiver from the holder of this certificate (the "**Lender**") the principal sum of \$ \_\_\_\_\_, being part of the total principal sum of \$ \_\_\_\_\_ which the Receiver is authorized to borrow under and pursuant to the Order.

2. The principal sum evidenced by this certificate is payable on demand by the Lender with interest thereon calculated and compounded monthly not in advance on the \_\_\_\_ day of each month after the date hereof at a notional rate per annum equal to the rate of \_\_\_\_\_ per cent above the prime commercial lending rate of Bank of \_\_\_\_\_ from time to time.

3. Such principal sum with interest thereon is, by the terms of the Order, together with the principal sums and interest thereon of all other certificates issued by the Receiver pursuant to the Order or to any further order of the Court, a charge upon the whole of the Property, in priority to the security interests of any other person, but subject to the priority of the charges set out in the Order and in the *Bankruptcy and Insolvency Act*, and the right of the Receiver to indemnify itself out of such Property in respect of its remuneration and expenses.

4. All sums payable in respect of principal and interest under this certificate are payable at the main office of the Lender at Toronto, Ontario.

5. Until all liability in respect of this certificate has been terminated, no certificates creating charges ranking or purporting to rank in priority to this certificate shall be issued by the Receiver

to any person other than the holder of this certificate without the prior written consent of the holder of this certificate.

6. The charge securing this certificate shall operate so as to permit the Receiver to deal with the Property as authorized by the Order and as authorized by any further or other order of the Court.

7. The Receiver does not undertake, and it is not under any personal liability, to pay any sum in respect of which it may issue certificates under the terms of the Order.

DATED the \_\_\_\_ day of \_\_\_\_\_, 2014.

A. FARBER & PARTNERS INC., solely in its  
capacity as Receiver of the Property, and not in  
its personal capacity

Per: \_\_\_\_\_

Name:

Title:

2403177 ONTARIO INC.  
Applicant

-and- BENDING LAKE IRON GROUP LIMITED  
Respondent

Court File No. CV14-274

**ONTARIO**  
**SUPERIOR COURT OF JUSTICE**

PROCEEDING COMMENCED AT  
THUNDER BAY

**ORDER**  
**(appointing Receiver)**

**BUSET & PARTNERS LLP**  
Barristers & Solicitors  
1121 Barton Street  
Thunder Bay ON P7B 5N3

Michael Strickland (414020)  
[mstrickland@buset-partners.com](mailto:mstrickland@buset-partners.com)  
Tel: 807-623-2500  
Fax: 807-622-7808

Lawyers for the Applicant, 2403177 Ontario Inc.

**TAB B**

Court File No.

**ONTARIO  
SUPERIOR COURT OF JUSTICE**

**BETWEEN:**

**2403177 ONTARIO INC.**

Applicant

- and -

**BENDING LAKE IRON GROUP LIMITED**

Respondent

**APPLICATION UNDER SUBSECTION 243(1) OF THE *BANKRUPTCY AND  
INSOLVENCY ACT*, R.S.C. 1985, c. B-3, AS AMENDED AND SECTION 101 OF THE  
*COURTS OF JUSTICE ACT*, R.S.O. 1990, c. C.43, AS AMENDED**

**AFFIDAVIT OF C. STUART LIVINGSTON  
(sworn July 22, 2014)**

**I, C. STUART LIVINGSTON, of the City of Toronto, in the Province of Ontario,  
MAKE OATH AND SAY AS FOLLOWS:**

1. I am the President, Secretary and Sole Director of the applicant, 2403177 Ontario Inc. (the “**Security Agent**”). C. Stuart Livingston and James MacLean (collectively, the “**Secured Lenders**”) are the secured creditors of Bending Lake Iron Group Limited (the “**Debtor**”), the respondent herein. As such, I have personal knowledge of the matters to which I hereinafter depose. Where I do not have personal knowledge of the matters set out herein, I have stated the source of my information and, in all such cases, believe it to be true.



**PURPOSE**

2. I am swearing this affidavit in support of an application by the Security Agent for an order, among other things, appointing A. Farber & Partners Inc. ("**Farber**") as receiver of all of the assets, undertakings and properties of the Debtor (the "**Property**").

**DESCRIPTION OF THE DEBTOR**

3. The Debtor is a corporation formed by amalgamation pursuant to the laws of the Province of Ontario on July 18, 2008. A copy of the Debtor's corporate profile report obtained on June 13, 2014 is attached as **Exhibit "A"** to this Affidavit.

4. According to the Debtor's corporate profile report, its registered office is located at the address municipally known as 201 Hardisty Street, Thunder Bay, Ontario P7C 3G8 (the "**Premises**").

5. According to the Debtor's corporate profile report, the directors of the Debtor are Dawn Elaine Mackay-Daynes, Henry Grant Wetelainen ("**Henry Grant**") and Henry Clayton Wetelainen and the officers of the Debtor are Henry Grant as President and Chief Executive Officer, and J. Chris Bailey as Chief Financial Officer. To the best of my knowledge, based on conversations with the Debtor's management, J. Chris Bailey is no longer an officer of the Debtor.

6. The Debtor is an early stage iron ore mine development company whose major asset is a property northwest of Thunder Bay, Ontario in the Kenora Mining Division and the Dryden Ministry of Natural Resources District. The property currently has estimated resources in excess of 335 million tons of iron ore.

7. The Debtor is not yet operating an active mine and the Debtor's development of the iron ore mine is not currently progressing due to lack of funds. The Debtor is still in the process of completing its Federal and Provincial Environmental Assessment processes under the *Canadian Environmental Assessment Act* and the *Ontario Environmental Assessment Act*. The Debtor has not yet obtained the necessary permits to commence mining activities. To the best of my knowledge, the environmental assessment process was halted by the Debtor in late 2012 or early 2013 due to insufficient funds. The Project Description, which is the first step in the Federal Environmental Assessment process, was submitted in early 2012 but to the best of my knowledge, the Debtor has not completed any additional stages of the Environmental Assessment process.

8. To the best of my knowledge, as of the date of this Affidavit, the Debtor employs less than 10 employees, including the current directors and officers of the Debtor, all of whom are non-unionized. To the best of my knowledge, the Debtor does not provide a pension plan to its employees.

9. To the best of my knowledge, the Debtor has over 160 shareholders and approximately 33,500,000 shares issued and outstanding. James MacLean holds approximately 576,000 common shares of the Debtor and C. Stuart Livingston holds approximately 700,000 common shares of the Debtor. The directors, officers, management and prior directors and officers of the Debtor (including their affiliates and related parties) hold approximately 19,000,000 shares of the Debtor in the aggregate, representing approximately 57% of the issued and outstanding shares of the Debtor. Inclusive in that figure, Henry Grant and his family (including their affiliates and related parties) hold approximately 16,350,000 shares of the Debtor, representing approximately 49% of the issued and outstanding shares of the Debtor.

## THE SECURED LENDERS' LOANS TO THE DEBTOR

10. The Debtor is indebted to the Security Agent pursuant to a credit facility (the “**Credit Facility**”) made available by the Secured Lenders pursuant to and under the terms of a loan agreement made among Arm’s Length Holdings Inc. (the “**Prior Security Agent**”), C. Stuart Livingston and the Debtor dated November 2, 2011, as amended by an Amendment to Loan Agreement dated March 21, 2012, a Second Amendment to Loan Agreement dated July 6, 2012, and a Third Amendment to Loan Agreement dated September 11, 2012, all made among the Prior Security Agent, C. Stuart Livingston and the Debtor (collectively, and as further amended, supplemented, restated or replaced, from time to time, the “**Loan Agreement**”). A copy of the Loan Agreement is attached as **Exhibit “B”** to this Affidavit.

11. As security for its obligations to the Secured Agent, including, without limitation, its obligations under the Loan Agreement, the Debtor provided security in favour of the Prior Security Agent acting on behalf of the Secured Lenders, including, without limitation:

- (a) a security agreement dated as of November 2, 2011 granted by the Debtor in favour of the Prior Security Agent (the “**Security Agreement**”), a copy of which is attached as **Exhibit “C”** to this Affidavit;
- (b) a Debenture re: Real Property dated as of November 2, 2011 granted by the Debtor in favour of the Prior Security Agent (the “**Debenture re: Lands**”), a copy of which is attached as **Exhibit “D”** to this Affidavit;
- (c) a Debenture re: Licences of Occupation dated as of November 2, 2011 granted by the Debtor in favour of the Prior Security Agent (the “**Debenture re: Licences of Occupation**”), a copy of which is attached as **Exhibit “E”** to this Affidavit; and

- (d) a Supplemental Debenture re: Unpatented Mining Claims dated as of June 8, 2012 granted by the Debtor in favour of the Prior Security Agent (the “**Debenture re: Mining Claims**”), a copy of which is attached as **Exhibit “F”** to this Affidavit.

(collectively, the “**Security**”).

12. Effective January 28, 2014, the Prior Security Agent, C. Stuart Livingston, James MacLean and the Security Agent entered into an Assignment Agreement (the ‘**Assignment Agreement**’) whereby all of Prior Security Agent’s right, title and interest in and to the Loan Agreement and the Security were assigned to the Security Agent. Attached hereto as **Exhibit ‘G’** is a true copy of the Assignment Agreement.

13. The Debtor was indebted to the Security Agent, pursuant to the Loan Agreement, for the following sums for principal and interest (including administrative and forbearance fees, as applicable) as at June 1, 2014:

Outstanding Loan Principal:	CDN\$2,272,500.00
Interest to Date:	CDN\$847,659.32
<b>Total Outstanding Indebtedness:</b>	<b>CDN\$3,120,159.32</b>

#### **THE DEBTORS’ OTHER SECURED CREDITORS**

14. A copy of the *Personal Property Security Act* (Ontario) (“**PPSA**”) search results for the Debtor, with currency to June 22, 2014, is attached as **Exhibit “H”** to this Affidavit.

15. The PPSA search results show no other registrations against the Debtor other than the registration made in favour of the Security Agent in respect of the Security.

16. On June 19, 2014, the Security Agent received a written notice from the Thunder Bay Tax Services Office (the “**Notice**”) indicating that Her Majesty The Queen, Ministry of National Revenue has registered a tax lien on title to 49 Parcel Identification Numbers (the “**PINS**”) owned by the Debtor, which property forms a substantial portion of the Security held by the Security Agent. The Notice indicates that the Security Agent was receiving the information on the basis and understanding that that the Security Agent had also filed a security document against the PINS.

17. A subsearch in the land registry office of Kenora Ontario reveals that, the Ministry of National Revenue has registered a tax lien as Instrument No. KN59687 against the property of the Debtor on May 27, 2014 (the “**Tax Lien**”). The Tax Lien revealed that the Debtor is indebted to the Minister of National Revenue for income taxes and other amounts totalling \$62,938.20. To the best of my knowledge and understanding from earlier discussions with management of the Debtor, “other amounts” may include unpaid HST by the Debtor.

18. Pursuant to section 223 of the Income Tax Act, the amount payable was certified and registered in Federal Court of Canada (File Number ITA–5073–14) at which point the certificate was deemed to be a judgment against the Debtor and upon registration created an interest in property of the Debtor.

19. A copy of the Tax Lien and a sample parcel register for one of Debtor’s properties are attached as **Exhibit “I”** to this Affidavit.

20. In addition to the Tax Lien, I have also been informed by the Ministry of Northern Development and Mines (the “**MNDM**”) that certain taxes (“**Mining Land Taxes**”) are outstanding with respect to 49 patented mining claims and mining surface rights held by the

Debtor covering 624.44 hectares of land, against which the Security Agent holds security. I have further been informed by the MNDM that the Mining Land Taxes are significantly overdue and have been outstanding for 2 or more years. In the letter addressed to me and dated as of June 27, 2014, the MNDM stated that as of May 2014 in the amount of \$5703.40 is payable and that if such amount is not paid before December 31, 2014 the rights granted to the Debtor may be subject to forfeiture.

21. A copy of the Letter sent by MNDM is attached as **Exhibit "J"** to this affidavit.

### **FINANCIAL DIFFICULTIES AND DEFAULT**

22. To the best of my knowledge, the Debtor has been facing severe financial difficulties for quite some time, and has struggled to raise the necessary funds to continue the development of the iron ore mine or complete the environmental assessment and permitting requirements. The financial difficulties faced by the Debtor are the result of a confluence of factors, including, but not limited to:

- (a) the Debtor being highly leveraged and unable to service its debt given the amount owing;
- (b) the Debtor failing to complete an investment deal with Liberty Metals and Mining Holdings LLC in the amount of CDN\$20 million, notwithstanding that a majority of the Debtor's Board of Directors and many significant shareholders were in favor of the transaction;
- (c) the Debtor making numerous unsuccessful attempts, since entering into the Loan Agreement, to raise additional funds to repay the Secured Lenders and fund

additional development and exploration to continue the project, including a potential transaction with Aiwan Investment Corporation valued at CDN\$110 million for a combination of secured debt and equity that was never completed; and

- (d) the management and board of the Debtor lacking co-operation in operating the Debtor in an efficient and productive manner.

23. The Debtor has been unable to make any payments on account of principal or interest under the Loan Agreement since November 2012, nor has the Debtor complied with various other positive covenants and obligations contained in the Loan Agreement, including without limitation, those with respect to financial reporting, preparation of financial statements and other disclosure requirements.

24. The Debtor's financial difficulties first became known to the Secured Lenders in the fall of 2012. Pursuant to the Loan Agreement, the Debtor had the option to extend the original maturity date of the loan from November 30, 2012 (the "**Maturity Date**") to October 31, 2013 upon providing the Secured Lenders and the Security Agent with 60 days' prior written notice before the Maturity Date. The Debtor failed to provide such written notice to extend the Maturity Date. The Prior Security Agent and/or its counsel delivered letters to the Debtor dated November 2, 2012, December 12, 2012 and December 18, 2012 with respect to the Maturity Date and failure to extend such date pursuant to the Loan Agreement (copies of which are attached as **Exhibit "K"** of this affidavit). Throughout the remainder of 2012, the Security Agent and the Secured Lenders attempted to work with the principals of the Debtor in order to enter into a forbearance or loan extension agreement (the "**First Forbearance Agreement**"), a copy of

which is attached as **Exhibit “L”** of this affidavit. The intent was that the First Forbearance Agreement would give the Debtor time to work with potential investors and financiers to raise enough funds to repay the Secured Lenders. At the request of the Debtor, the Secured Lenders permitted the Debtor to title the First Forbearance Agreement as a “Loan Extension Agreement” to attract potential investors and avoid the optics of entering into a forbearance agreement at that stage of development. The arrangements provided for in the First Forbearance Agreement contemplated an extension of the Maturity Date until June 30, 2013 (the “**First Extended Maturity Date**”), provided that certain fees and interest were paid to the Secured Lenders.

25. Following payment of certain nominal interest payments in the aggregate of CDN\$55,000 made by the Debtor to the Prior Security Agent in June 2012, the Debtor ceased making the payments required under the Loan Agreement. Notwithstanding the default, the Prior Security Agent permitted the Debtor to continue to attempt to raise additional funds to repay the Prior Security Agent until the expiry of the First Extended Maturity Date under the First Forbearance Agreement.

26. On August 1, 2013, the Prior Security Agent, the Secured Lenders and the Debtor entered into a memorandum of forbearance agreement (the “**Second Forbearance Agreement**”), a copy of which is attached as **Exhibit “M”** of this affidavit, whereby the Secured Lenders agreed to provide the Debtor until December 31, 2013 to repay all of its indebtedness, provided that certain fees and interest were paid to the Secured Lenders in accordance with the Second Forbearance Agreement.

27. The Debtor failed to make any of the payments required under the Second Forbearance Agreement and the Secured Lenders were not repaid any of the then outstanding indebtedness as



of December 31, 2013. In addition, the Debtor failed to comply with various other positive covenants and obligations contained in the Second Forbearance Agreement, including without limitation, those with respect to financial reporting, preparation of financial statements and other disclosure requirements.

28. Through to early 2014, the Security Agent attempted to communicate directly with the Debtor to determine its plans to repay the indebtedness and raise funds, with no success.

29. As a direct result, on March 17, 2014, the Security Agent made written demand (the “**Demand Letter**”) on the Debtor for payment of all indebtedness owing by the Debtor to the Secured Lenders. The Demand Letter was accompanied by a Notice of Intention to Enforce Security (the “**Notice**”) addressed to the Debtor and prepared pursuant to subsection 244(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the “**BIA**”). A copy of the Demand Letter and Notice are attached as **Exhibit “N”** to this Affidavit.

30. The Debtor failed to provide the requested waiver and consent to early enforcement waiving the ten day notice period referred to in the Notice.

#### **ATTEMPTS TO RAISE ADDITIONAL FUNDS**

31. To the best of my knowledge since the Maturity Date of the Loan Agreement, management of the Debtor has had discussions with various parties, including certain existing shareholders of the Debtor, to explore opportunities to obtain additional financing for the Debtor. Unfortunately, these discussions remained exploratory in nature and never materialized into offers or agreements to advance funds.

32. Tom Ungar, VP of Corporate Development and Investor Relations of the Debtor was involved in multiple discussions with various third parties and existing stakeholders of the Debtor (including, without limitation, 49 North Resource Fund Inc. and HJG Partnership) in order to raise the necessary funds to repay the Security Agent. However, over the course of an approximate two year period, the Debtor has been unable to attract any new investments and the Debtor was unable to organize and clean up its affairs by updating its financial statements and related records, notwithstanding numerous requests by the Secured Lenders and potential investors.

33. In the spring of 2014, it became very clear that a refinancing and/or restructuring of the Debtor with the Security Agent was not an option that would be available.

34. The Debtor, in discussions with the Secured Lenders, has taken several informal steps to identify strategic purchasers and investors, and at the request of the Security Agent sought to obtain formal binding offers (conditional or otherwise).

35. As a result of the foregoing activities, the Debtor received informal expressions of interest from a few potential investors, including Jack Grover (acting on behalf of the Jefferson Group), 49 North Resource Fund Inc., and HJG Partnership, among others (collectively, the **“Potential Investors”**). The Debtor in consultation with the Secured Lenders and the Security Agent has had continued discussions with each of the Potential Investors. None of the Potential Investors have submitted letters of interest (binding, conditional or otherwise), and no final offers were made and no deal has been structured or completed to date.

36. Given the lack of success the Debtor has experienced in attempts to raise funds and failure by the management and the board of directors of the Debtor to co-operate, a sale through

a receivership appears to be the most beneficial outcome to the Security Agent. Furthermore, the value of iron ore is currently decreasing, which will negatively impact the value of the Debtor and its assets.

37. To date, the Debtor has failed to sell its business as a going concern or raise additional funds to repay the Security Agent and the Security Agent has lost confidence that it will be able to do so. To the best of my knowledge, the Debtor has not attempted to sell its business as a going concern.

38. According to information received by the Security Agent from certain shareholders of the Debtor, discussions are taking place by such shareholders with respect to filing a shareholder oppression claim against the Debtor and its board of directors pursuant to Section 248 of the *Business Corporations Act* (Ontario).

39. Given the above background, the Security Agent believes that the appointment of a receiver is necessary and just in order to conduct a sale of the Property or conduct a sale and investor solicitation process (“SISP”) for the benefit of all stakeholders. Such a process may include, without limitation:

- (a) undertaking a solicitation process for potential investors in order to refinance or recapitalize the business of the Debtor for the benefit of all stakeholders;
- (b) soliciting potential purchasers and engaging in a prompt sale or liquidation of the Debtor’s business and/or its assets; or
- (c) undertaking such other actions as deemed advisable by the receiver to obtain the greatest benefit/value to the Debtor’s stakeholders.

40. It is my understanding that in the event that the receiver intends to conduct a SISP, the receiver will return before this Honourable Court to have the SISP approved.

#### **APPOINTMENT OF A RECEIVER**

41. The Security Agent and the Secured Lenders have, at all times, acted in good faith towards the Debtor. At this time, the Security Agent considers it reasonable and prudent to begin the enforcement of the Security in an effort to recover their outstanding loans to the Debtor and it is within the Secured Lenders' rights to do so.

42. The Debtor is insolvent and unable to fulfill its obligations to the Secured Lenders and other stakeholders. To the best of my knowledge, the Debtor currently has unsecured debts valued at greater than CDN\$6 million in the aggregate, approximately two-thirds of which is owing to directors, officers, management and related parties of the Debtor.

43. In the circumstances set out above, I believe that it is just and equitable that a receiver be appointed. A receiver is necessary for the protection of the interests of the Secured Lenders and the Debtor's other stakeholders. Further, a receiver would enhance transparency of the Debtor's financial situation by using its powers to access the books and records of the Debtor in order to provide the financial reporting, preparation of financial statements and other disclosure requirements which have been neglected by the Debtors since November 2012.

44. The Security Agent and Secured Lenders believe that the appointment of a receiver over the Debtor will enhance the prospect of recovery by the Secured Lenders and protect all stakeholders.

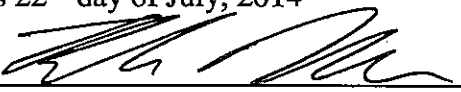
45. The Secured Lenders propose that Farber be appointed as receiver of the Debtor.

46. Farber is a licensed trustee in bankruptcy and is familiar with the circumstances of the Debtor and its arrangements with the Secured Lenders.

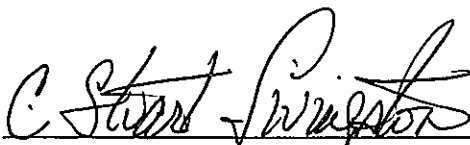
47. Farber has consented to act as receiver should the Court so appoint it. A copy of Farber's consent is attached to the Security Agent's Application Record. Farber has also conducted a conflict search, confirmed that it is clear to act as receiver and confirmed that they are not the auditor of the Debtor.

48. This Affidavit is made in support of the within application for the appointment of Farber as receiver of the Debtor, and for no other or improper purpose whatsoever.

**SWORN** before me at the City of  
Toronto, in the Province of Ontario,  
this 22<sup>nd</sup> day of July, 2014

  
\_\_\_\_\_  
Commissioner for taking affidavits, etc.

**Christopher Blake Moran**

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\_\_\_\_\_  
**C. STUART LIVINGSTON**

**TAB C**

**Patented Claims**  
**LEGAL DESCRIPTION**

Kenora Registry Office

<b><u>Item</u></b>	<b><u>Property Description inc. Parcel No and Claim No.</u></b>	<b><u>PIN</u></b>	<b><u>Comments</u></b>
1	PCL 6308 SEC DKF; Mining Claim K183 Unsurveyed Territory, District of Kenora,	42184-0048 (LT)	- Patented Mining Claim - Mining and surface rights
2	PCL 6309 SEC DKF; Mining Claim K184 Unsurveyed Territory, District of Kenora	42184-0044 (LT)	- Patented Mining Claim - Mining and surface rights
3	PCL 6310 SEC DKF; Mining Claim K185 Unsurveyed Territory, District of Kenora	42184-0045 (LT)	- Patented Mining Claim - Mining and surface rights
4	PCL 6311 SEC DKF; Mining Claim K186 Unsurveyed Territory Being Land and Land Covered with the Water of Self Lake; District of Kenora	42184-0046 (LT)	- Patented Mining Claim - Mining and surface rights
5	PCL 21091 SEC DKF; Pt Mining Claim K17531 Unsurveyed Territory Not Covered by the Waters of Bending Lake as in PA14705, District of Kenora	42184-0058 (LT)	- Patented Mining Claim - Mining and surface rights
6	PCL 21092 SEC DKF; Pt Mining Claim K17532 Unsurveyed Territory Not Covered by the Waters of Page Lake as in PA14706; District of Kenora	42184-0057 (LT)	- Patented Mining Claim - Mining and surface rights
7	PCL 21093 SEC DKF; Mining Claim K17533 Unsurveyed Territory Not Covered by the Waters of Page Lake as in PA14707; District of Kenora	42184-0056 (LT)	- Patented Mining Claim - Mining and surface rights
8	PCL 21094 SEC DKF; Pt Mining Claim K17534 Unsurveyed Territory Not Covered by the Waters of Page Lake as in PA14708, District of Kenora	42184-0060 (LT)	- Patented Mining Claim - Mining and surface rights
9	PCL 21095 SEC DKF; PT Mining Claim K17535 Unsurveyed Territory Not Covered by the Waters of Bending Lake as in PA14709; District of Kenora	42184-0061 (LT)	- Patented Mining Claim - Mining and surface rights
10	PCL 21096 SEC DKF; PT Mining Claim K17536 Unsurveyed Territory Not Covered by the Waters of Bending Lake as in PA14710; District of Kenora	42184-0062 (LT)	- Patented Mining Claim - Mining and surface rights

<b><u>Item</u></b>	<b><u>Property Description inc. Parcel No and Claim No.</u></b>	<b><u>PIN</u></b>	<b><u>Comments</u></b>
11	PCL 21068 SEC DKF; Mining Claim K17537 Unsurveyed Territory Being Land and Land under the Water of Part of Self Lake within the Limits of this Mining Claim; District of Kenora	42184-0043 (LT)	- Patented Mining Claim - Mining and surface rights
12	PCL 21087 SEC DKF; Mining Claim K17538 Unsurveyed Territory; District of Kenora	42184-0042 (LT)	- Patented Mining Claim - Mining and surface rights
13	PCL 21077 SEC DKF; Mining Claim K17539 Unsurveyed Territory; District of Kenora	42184-0041 (LT)	- Patented Mining Claim - Mining and surface rights
14	PCL 21078 SEC DKF; Mining Claim K17540 Unsurveyed Territory; District of Kenora	42184-0039 (LT)	- Patented Mining Claim - Mining and surface rights
15	PCL 21079 SEC DKF; Mining Claim K17541 Unsurveyed Territory; District of Kenora	42184-0038 (LT)	- Patented Mining Claim - Mining and surface rights
16	PCL 21080 SEC DKF; Mining Claim K17542 Unsurveyed Territory Excepting the SRO On and Over a Strip of Land Along the Shores of an Unnamed lake and Which Said Strip of Land is Bounded by the High Water Mark of an Unnamed Lake and by a Line, Every Point of which is Distant 400 Ft from the Nearest Point in the Said High Water Mark; District of Kenora	42184-0036 (LT)	- Patented Mining Claim - Mining and surface rights
17	PCL 21081 SEC DKF; Mining Claim K17543 Unsurveyed Territory Excepting the SRO On and Over a Strip of Land Along the Shores of an Unnamed lake and Which Said Strip of Land is Bounded by the High Water Mark of an Unnamed Lake and by a Line, Every Point of which is Distant 400 Ft from the Nearest Point in the Said High Water Mark; District of Kenora	42184-0035 (LT)	- Patented Mining Claim - Mining and surface rights
18	PCL 21097 SEC DKF; PT Mining Claim K17544 Unsurveyed Territory Not Covered by the Waters of an Unnamed lake as in PA14711; District of Kenora	42184-0033 (LT)	- Patented Mining Claim - Mining and surface rights
19	PCL 21098 SEC DKF; PT Mining Claim K17545 Unsurveyed Territory Not Covered by the Waters of Bending lake as in PA14712; District of Kenora	42184-0063 (LT)	- Patented Mining Claim - Mining and surface rights
20	PCL 21099 SEC DKF; PT Mining Claim K17546 Unsurveyed Territory Not Covered by the Waters of Bending Lake as in PA14713; District of Kenora	42184-0065 (LT)	- Patented Mining Claim - Mining and surface rights
21	PCL 21100 SEC DKF; PT Mining Claim K17547 Unsurveyed Territory Not Covered by the Waters of Bending Lake as in PA14714; District of Kenora	42184-0066 (LT)	- Patented Mining Claim - Mining and surface rights
22	PCL 21101 SEC DKF; PT Mining Claim K17548 Unsurveyed Territory Not Covered by the Waters of Bending Lake as in	42184-0068 (LT)	- Patented Mining Claim



<b><u>Item</u></b>	<b><u>Property Description inc. Parcel No and Claim No.</u></b>	<b><u>PIN</u></b>	<b><u>Comments</u></b>
	PA14715; District of Kenora		- Mining and surface rights
23	PCL 21102 SEC DKF; PT Mining Claim K17549 Unsurveyed Territory Not Covered by the Waters of Bending Lake as in PA14716; District of Kenora	42184-0069 (LT)	- Patented Mining Claim - Mining and surface rights
24	PCL 21069 SEC DKF; Mining Claim K17550 Unsurveyed Territory Being Land and Land Under the Water of part of a Small Pond within the Limits of this Mining Claim; District of Kenora	42184-0067 (LT)	- Patented Mining Claim - Mining and surface rights
25	PCL 21070 SEC DKF; Mining Claim K17551 Unsurveyed Territory Excepting the SRO On and Over a Strip of Land Along the Shores of Bending Lake and Which Said Strip of Land is Bounded by the High Water Mark of Bending Lake and by a Line, Every Point of which is Distant 400 Ft from the Nearest Point in the Said High Water Mark; District of Kenora	42184-0071 (LT)	- Patented Mining Claim - Mining and surface rights
26	PCL 21082 SEC DKF; PT Mining Claim K17552 Unsurveyed Territory Not Covered by the Waters of Bending Lake as in PA14691; District of Kenora	42184-0072 (LT)	- Patented Mining Claim - Mining and surface rights
27	PCL 21071 SEC DKF; Mining Claim K17553 Unsurveyed Territory Being Land and Land Under the Water of a Small Pond within the Limits of this Mining Claim; Excepting the SRO On and Over a Strip of Land Along the Shores of Bending Lake and Which Said Strip of Land is Bounded by the High Water Mark of Bending Lake and by a Line, Every Point of which is Distant 400 Ft from the Nearest Point in the Said High Water Mark; District of Kenora	42184-0064 (LT)	- Patented Mining Claim - Mining and surface rights
28	PCL 21103 SEC DKF; Mining Claim K17555 Unsurveyed Territory Being Land and Land Under the Water of Part of Self Lake within the Limits of this Mining Claim; District of Kenora	42184-0047 (LT)	- Patented Mining Claim - Mining and surface rights
29	PCL 21104 SEC DKF; Mining Claim K17556 Unsurveyed Territory, District of Kenora	42184-0050 (LT)	- Patented Mining Claim - Mining and surface rights
30	PCL 21105 SEC DKF; PT Mining Claim K17557 Unsurveyed Territory Not Covered by the Waters of Bending Lake as in PA14719, District of Kenora	42184-0051 (LT)	- Patented Mining Claim - Mining and surface rights
31	PCL 21106 SEC DKF; Mining Claim K17558 Unsurveyed Territory, District of Kenora	42184-0049 (LT)	- Patented Mining Claim - Mining and surface rights
32	PCL 21107 SEC DKF; PT Mining Claim K17559 Unsurveyed Territory Not Covered by the Waters of Page Lake as in PA14721, District of Kenora	42184-0052 (LT)	- Patented Mining Claim - Mining and surface rights
33	PCL 21072 SEC DKF; Mining Claim K17560 Unsurveyed Territory, Excepting the SRO On and Over a Strip of Land Along the Shores of Page Lake and Which Said Strip of Land is Bounded	42184-0053 (LT)	- Patented Mining Claim - Mining and surface

<u>Item</u>	<u>Property Description inc. Parcel No and Claim No.</u>	<u>PIN</u>	<u>Comments</u>
	by the High Water Mark of Page Lake and by a Line, Every Point of which is Distant 400 Ft from the Nearest Point in the Said High Water Mark; District of Kenora		rights
34	PCL 21073 SEC DKF; PT Mining Claim K17561 Unsurveyed Territory Not Covered by the Waters of Bending Lake as in PA14677, District of Kenora	42184-0054 (LT)	- Patented Mining Claim - Mining and surface rights
35	PCL 21074 SEC DKF; PT Mining Claim K17562 Unsurveyed Territory Not Covered by the Waters of Bending Lake as in PA14678, District of Kenora	42184-0055 (LT)	- Patented Mining Claim - Mining and surface rights
36	PCL 21075 SEC DKF; PT Mining Claim K17563 Unsurveyed Territory Not Covered by the Waters of Bending Lake as in PA14679, District of Kenora	42184-0059 (LT)	- Patented Mining Claim - Mining and surface rights
37	PCL 21108 SEC DKF; PT Mining Claim K17878 Unsurveyed Territory Not Covered by the Waters of Turtle River as in PA14722, District of Kenora	42184-0075 (LT)	- Patented Mining Claim - Mining and surface rights
38	PCL 21109 SEC DKF; PT Mining Claim K17879 Unsurveyed Territory Not Covered by the Waters of the Turtle River as in PA14723, District of Kenora	42184-0076 (LT)	- Patented Mining Claim - Mining and surface rights
39	PCL 21110 SEC DKF; PT Mining Claim K17880 Unsurveyed Territory Not Covered by the Waters of the Turtle River as in PA14724, District of Kenora	42184-0077 (LT)	- Patented Mining Claim - Mining and surface rights
40	PCL 21112 SEC DKF; Mining Claim K17882 Unsurveyed Territory Situate in the Bending Lake Area Excepting the SRO On and Over a Strip of Land Along the Shores of Turtle River and Which Said Strip of Land is Bounded by the High Water Mark of the Turtle River and by a Line, Every Point of which is Distant 400 Ft from the Nearest Point in the Said High Water Mark; District of Kenora	42184-0078 (LT)	- Patented Mining Claim - Mining and surface rights
41	PCL 21076 SEC DKF; Mining Claim K17883 Unsurveyed Territory Being Land and Land under the Water of part of a small Pond within the Limits of this Mining Claim; Excepting the SRO On and Over a Strip of Land Along the Shores of the Turtle River and Which Said Strip of Land is Bounded by the High Water Mark of Turtle River and by a Line, Every Point of which is Distant 400 Ft from the Nearest Point in the Said High Water Mark; District of Kenora	42184-0074 (LT)	- Patented Mining Claim - Mining and surface rights
42	PCL 21113 SEC DKF; Mining Claim K17884 Unsurveyed Territory Being Land and Land Under the Water of a small Pond within the Limits of this Mining Claim; District of Kenora	42184-0073 (LT)	- Patented Mining Claim - Mining and surface rights
43	PCL 21114 SEC DKF; Mining Claim K17885 Unsurveyed Territory; District of Kenora	42184-0070 (LT)	- Patented Mining Claim - Mining and surface rights
44	PCL 21089 SEC DKF; PT Mining Claim K17887 Unsurveyed Territory Not Covered by the Waters of an Unnamed Lake as in	42184-0029 (LT)	- Patented Mining Claim

<u>Item</u>	<u>Property Description inc. Parcel No and Claim No.</u>	<u>PIN</u>	<u>Comments</u>
	PA14698, District of Kenora		- Mining and surface rights
45	PCL 21090 SEC DKF; PT Mining Claim K17888 Unsurveyed Territory Not Covered by the Waters of an Unnamed Lake as in PA14699, Except PT1, 23R10164; District of Kenora	42184-0028 (LT)	- Patented Mining Claim - Mining and surface rights
46	PCL 21083 SEC DKF; PT Mining Claim K17889 Unsurveyed Territory Not Covered by the Water of an Unnamed Lake as in PA14692, District of Kenora	42184-0032 (LT)	- Patented Mining Claim - Mining and surface rights
47	PCL 21084 SEC DKF; Mining Claim K17890 Unsurveyed Territory; District of Kenora	42184-0037 (LT)	- Patented Mining Claim - Mining and surface rights
48	PCL 21085 SEC DKF; Mining Claim K17891 Unsurveyed Territory Excepting the SRO On and Over a Strip of Land Along the Shores of an Unnamed Lake and Which Said Strip of Land is Bounded by the High Water Mark of an Unnamed Lake and by a Line, Every Point of which is Distant 400 Ft from the Nearest Point in the Said High Water Mark; District of Kenora	42184-0034 (LT)	- Patented Mining Claim - Mining and surface rights
49	PCL 21086 SEC DKF; Mining Claim K17892 Unsurveyed Territory; District of Kenora	42184-0040 (LT)	- Patented Mining Claim - Mining and surface rights

LICENCES OF OCCUPATION

ONTARIO MINISTRY OF NORTHERN DEVELOPMENT AND MINES

DISTRICT OF KENORA

1.	Licence: Description:	12767 K17878-81 Pt of Mining Claims K17878 to K17881, consisting of land under the water of the Turtle River
2.	Licence: Description:	12766 K17534 ET AL Pt of Mining Claims K17531 to K17536, K17545 to K17549, K17552, K17557, K17559, K17561 to K17563, consisting of land under the waters of Page Lake and Bending Lake
3.	Licence: Description:	12768 K17544, K17886-89 Pt of Mining Claims K17886 to K17889, K17544, consisting of land under the water of an unnamed lake

**TAB D**

## APPENDIX “D”

**RE: Windigo Ridge Resources Inc. currently holds the following 15 active claims in respect of BLIG’s interest:**

Township/Area	Claim Number	Recording Date	Claim Due Date	Status	Percent Option
BENDING LAKE AREA	<a href="#">4204755</a>	2008-Dec-04	2014-Dec-04	A	100%
BENDING LAKE AREA	<a href="#">4204756</a>	2009-Feb-17	2017-Feb-17	A	100%
BENDING LAKE AREA	<a href="#">4224390</a>	2009-Feb-17	2015-Feb-17	A	100%
BENDING LAKE AREA	<a href="#">4224392</a>	2009-Feb-17	2016-Feb-17	A	100%
BENDING LAKE AREA	<a href="#">4244417</a>	2008-Oct-29	2015-Oct-29	A	100%
BENDING LAKE AREA	<a href="#">4247141</a>	2009-Feb-24	2016-Feb-24	A	100%
BENDING LAKE AREA	<a href="#">4247142</a>	2009-Feb-24	2016-Feb-24	A	100%
BENDING LAKE AREA	<a href="#">4247145</a>	2010-Mar-31	2015-Mar-31	A	100%
BENDING LAKE AREA	<a href="#">4247146</a>	2010-Mar-31	2015-Mar-31	A	100%
BENDING LAKE AREA	<a href="#">4247147</a>	2010-Apr-08	2015-Apr-08	A	100%
BENDING LAKE AREA	<a href="#">4264011</a>	2011-Jun-10	2015-Jun-10	A	100%
BENDING LAKE AREA	<a href="#">4264012</a>	2011-Jun-10	2015-Jun-10	A	100%
REVELL LAKE AREA	<a href="#">4244418</a>	2008-Oct-29	2015-Oct-29	A	100%
REVELL LAKE AREA	<a href="#">4245124</a>	2008-Oct-29	2015-Oct-29	A	100%
REVELL LAKE AREA	<a href="#">4264013</a>	2011-Jun-10	2015-Jun-10	A	100%

# TAB E

# APPENDIX "E"

**Re: 1584859 Ontario Inc. 11 Mining Properties Located in Unsurveyed Territory, in the District of Kenora**

	<b>PIN</b>	<b>Property Description</b>
1.	42184-0019 (LT)	Parcel 24524 SEC DKF MRO; Mining Claim K26017 Unsurveyed Territory; District of Kenora
2.	42184-0020 (LT)	Parcel 24523 SEC DKF MRO; Mining Claim K26016 Unsurveyed Territory being land and land under the water of part of an unnamed lake within the limits of this mining claim; District of Kenora
3.	42184-0021 (LT)	Parcel 24522 SEC DKF MRO; Mining Claim K22825 Unsurveyed Territory being land and land under the water of part of a small unnamed lake within the limits of this mining claim; District of Kenora
4.	42184-0022 (LT)	Parcel 24521 SEC DKF MRO; Mining Claim K22824 Unsurveyed Territory being land and land under the water of part of a small unnamed lake within the limits of this mining claim; District of Kenora
5.	42184-0023 (LT)	Parcel 24517 SEC DKF MRO; Mining Claim K22820 Unsurveyed Territory being land and land under the water of part of a small unnamed lake within the limits of this mining claim; District of Kenora
6.	42184-0024 (LT)	Parcel 24516 SEC DKF MRO; Mining Claim K22819 Unsurveyed Territory being land and land under the water of part of a small unnamed lake within the limits of this mining claim; District of Kenora
7.	42184-0025 (LT)	Parcel 24515 SEC DKF MRO; Mining Claim K22818 Unsurveyed Territory being land and land under the water of part of a small creek within the limits of this mining claim; District of Kenora
8.	42184-0026 (LT)	Parcel 24520 SEC DKF MRO; Mining Claim K22823 Unsurveyed Territory being land and land under the water of part of a small unnamed lake within the limits of this mining claim; District of Kenora
9.	42184-0027 (LT)	Parcel 24518 SEC DKF MRO; Mining Claim K22821 Unsurveyed Territory; District of Kenora
10.	42184-0030 (LT)	Parcel 24519 SEC DKF MRO; Mining Claim K22822 Unsurveyed Territory; District of Kenora
11.	42184-0031 (LT)	Parcel 24514 SEC DKF; Mining Rights Only Mining Claim K22817 Unsurveyed Territory; District of Kenora



**TAB F**

## APPENDIX ‘F’

### SALES AND INVESTMENT SOLICITATION PROCESS – November 27, 2014

	Event	Timing
1.	Compile a list of interested parties through consultation with BLIG and the Receiver’s network of advisors and investors in both the mining and investment community, and sending those parties an information summary (the “ <b>Teaser</b> ”).	On or before December 12, 2014
2.	Information pertaining to this opportunity will be posted on the Receiver’s website: <a href="http://www.farberfinancial.com">www.farberfinancial.com</a> which will include: <ul style="list-style-type: none"> <li>• The Teaser;</li> <li>• An Invitation for Offers to purchase or invest in the Debtor and/or the Property;</li> <li>• The Proposed Terms and Conditions of Sale, which is on an “as is, where is” basis with no representations or warranties, subject to court approval; and</li> <li>• A Non-Disclosure Agreement (“<b>NDA</b>”) from the Receiver.</li> </ul>	Within 10 business days of issuance of the Court Order approving the SISP
3.	The Receiver shall advertise the Debtor, Property and SISP in <i>The Globe &amp; Mail</i> (National Edition) and <i>The Northern Miner</i> publication.	Within 10 business days of the issuance of the Court Order approving the SISP
4.	Interested Parties expressing an interest in participating in the SISP will be required to execute the NDA, upon which Interested Parties will receive available information in respect of BLIG and the Property, including access to the Receiver’s virtual data room, once established, which will also include a CIM setting out the investment and/or purchase opportunity. Interest Parties that wish to undertake further due diligence will be provided with an opportunity to conduct site visits and review further additional information not available in the virtual data room.	Through to no later than February 27, 2015
5.	Interested Parties will have until 4:00 pm Eastern Standard Time, on Friday, February 27, 2015 (the “ <b>Bid Deadline</b> ”) to submit a (binding) offer and proposal (hereinafter called “ <b>Offer</b> ”), which must include a cash deposit equal to 10% of the total purchase price/investment for the Debtor and/or the Property subject to the Offer (the “ <b>Deposit</b> ”). The Deposit will be refunded in the event an Offer, as submitted, is not accepted by the Receiver.	On or before 4:00 PM (EST), February 27, 2015
6.	Offers are to be made using the APA as a template and are to be without conditions, other than Court Approval. Offers shall remain open for acceptance by the Receiver until at least 4:00 pm Eastern Standard Time, Friday March 6, 2015.	On or prior to 4:00 p.m. (EST) March 6, 2015

**Note:** All capitalized terms used and not otherwise defined herein shall have the meaning ascribed to them in the Receiver’s first report dated November 18, 2014.

	Event	Timing
7.	<p>Following the Bid Deadline, the Receiver will review and assess all Offers received, if any, including review and consultation with the Secured Lenders. Based on its review of the Offers, the Receiver will determine the most favourable outcome and will proceed to finalize the APA(s) and or transaction, with the successful offering party or parties, subject only to court approval (a “<b>Final APA</b>”).</p> <p>If the Receiver is unable to negotiate a Final APA, the Receiver shall be at liberty to negotiate and finalize an APA/ transaction with such other offering party or parties as it deems appropriate, subject to consulting first with the Secured Lenders.</p>	As soon as reasonably practical
8.	Seek court approval of Final APA(s) and obtain a vesting order(s) for sale of the Property as either separate transactions or a combined transaction (the “ <b>Vesting Order</b> ”).	As soon as reasonably practical following execution and delivery of a Final APA
9.	Close sale(s) to successful purchaser(s).	First business day after Vesting Order issued or such other business day as may be agreed to by the Receiver and the successful party
10.	In the event a Deposit is paid pursuant to an Offer and the Receiver elects to not proceed to negotiate a Final APA with that offering party, the Receiver shall return the Deposit (without interest) to that offering party, and that offering party shall return all confidential materials to the Receiver.	As soon as reasonably practical following execution and delivery of a Final APA

**Note:** The highest or best Offer may not necessarily be accepted by the Receiver. The Receiver reserves the right: (i) to not accept any Offer and, if deemed appropriate, to deal with one or more Offers to the exclusion of others, both prior to or after the timelines set out above, and (ii) to refuse the provision of confidential information, or otherwise, to any Interested Party, or the participation of any Interested Party in the SISP. Ultimately, any Offer will be subject to court approval.