

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

B E T W E E N:

GOLD CANDLE LTD.

Applicant

-and-

GSR MINING CORPORATION and AJ PERRON GOLD CORP.

Respondents

**SUPPLEMENTARY APPLICATION RECORD
(includes Fresh as Amended Notice of Application)**

(Returnable July 6, 2016)

June 21, 2016

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AND TO: **JAMES ARTHUR ROBERT VOISON**

18 Mair Court
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AND TO: **VICTOR J. ELIAS**

7212 Maple Street
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AND TO: **A. FARBER & PARTNERS INC.**

Bankruptcy Trustee
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Attention: Peter Crawley

AND TO: **TORKIN MANES LLP**
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Attention: Stewart Thom

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AND TO: **THE PUBLIC GUARDIAN AND TRUSTEE**
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Suite 800
Toronto, Ontario
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AND TO: **THE ONTARIO MINISTRY OF NORTHERN DEVELOPMENT AND MINES**
MINISTRY OF NORTHERN DEVELOPMENT AND MINES
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AND TO: **THE TOWNSHIP OF MCGARRY**
27 Webster Street
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AND TO: **SACK GOLDBLATT MITCHELL LLP**
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Attention: Darrell Brown

Lawyers for United Steel Workers of America, Local 9283

AND TO: **BRADLEY BROS. LIMITED**
98 14th Street
Rouyn Noranda, QC
J9X 5A9

AND TO: **MCDOWELL BROTHERS INDUSTRIES INC.**
2018 Kingsway
Sudbury, ON
P3B 4J8

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AMENDED THIS June 21 2016 PURSUANT TO
MODIFICATION CONFORMÉMENT À
☒ RULE/LA RÈGLE 26.02 (A)
☐ THE ORDER OF _____
L'ORDONNANCE DU _____
DATED / FAIT LE _____

Court File No.: CV-16-00011351-00CL

REGISTRAR
SUPERIOR COURT OF JUSTICE

GREFFIER
COUR SUPÉRIEURE DE JUSTICE

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

BETWEEN:

GOLD CANDLE LTD.

Applicant

-and-

GSR MINING CORPORATION and AJ PERRON GOLD CORP.

Respondents

FRESH AS AMENDED NOTICE OF APPLICATION

TO THE RESPONDENT(S)

A LEGAL PROCEEDING HAS BEEN COMMENCED by the Applicant. The claim made by the Applicant appears on the following page.

THIS APPLICATION will come on for a hearing on July 6, 2016, at 10:00 a.m., before a judge presiding over the Commercial List at 393 University Avenue, 10th Floor, Toronto ON M5G 1E6.

IF YOU WISH TO OPPOSE THIS APPLICATION, to receive notice of any step in the application or to be served with any documents in the application you or an Ontario lawyer acting for you must forthwith prepare a notice of appearance in Form 38A prescribed by the *Rules of Civil Procedure*, serve it on the Applicant's lawyer or, where the Applicant does not have a lawyer, serve it on the Applicant, and file it, with proof of service, in this court office, and you or your lawyer must appear at the hearing.

IF YOU WISH TO PRESENT AFFIDAVIT OR OTHER DOCUMENTARY EVIDENCE TO THE COURT OR TO EXAMINE OR CROSS-EXAMINE WITNESSES ON THE APPLICATION, you or your lawyer must, in addition to serving your notice of appearance, serve a copy of the evidence on the Applicant's lawyer or, where the Applicant does not have a lawyer, serve it on the Applicant, and file it, with proof of service, in the court office where the application is to be heard as soon as possible, but at least four days before the hearing.

IF YOU FAIL TO APPEAR AT THE HEARING, JUDGMENT MAY BE GIVEN IN YOUR ABSENCE AND WITHOUT FURTHER NOTICE TO YOU. IF YOU WISH TO OPPOSE THIS APPLICATION BUT ARE UNABLE TO PAY LEGAL FEES, LEGAL AID MAY BE AVAILABLE TO YOU BY CONTACTING A LOCAL LEGAL AID OFFICE.

Date April 18th 2016 Issued by Ray Williams
Local Registrar

Address of 393 University Avenue, 10th Floor
court office: Toronto ON M5G 1E6

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AND TO: **VICTOR J. ELIAS**

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Vancouver, BC
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AND TO: **A. FARBER & PARTNERS INC.**

Bankruptcy Trustee
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Attention: Peter Crawley

AND TO: **TORKIN MANES LLP**

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Attention: Stewart Thom

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AND TO: **THE ONTARIO MINISTRY OF NORTHERN DEVELOPMENT AND MINES
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AND TO: **BRADLEY BROS. LIMITED**
98 14th Street
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J9X 5A9

AND TO: **MCDOWELL BROTHERS INDUSTRIES INC.**
2018 Kingsway
Sudbury, ON
P3B 4J8

APPLICATION

1. The Applicant, Gold Candle Ltd. (“**Gold Candle**”), makes application for an Order:
 - (a) appointing A. Farber & Partners Inc. as Receiver (in such capacity, the “**Receiver**”) over all of the Respondents' property (collectively, the “**Property**”) in accordance with the form of Order attached hereto as Schedule “A” (the “**Appointment Order**”);
 - (b) staying all proceedings and remedies taken or that might be taken in respect of the Property or the Respondents, except as set forth in the Appointment Order or otherwise permitted by law;
 - (c) authorizing the issuance of the Writs (as defined below) *nunc pro tunc* or in the alternative, the issuance of *alias* writs referable to the Judgments (as defined below);
 - (d) authorizing the Applicants and the Receiver to examine Mr. John Perron under oath and requiring that Mr. Perron attend such examination;
 - (e) granting the Receiver's Charge (as defined below);
 - (f) prejudgment interest in accordance with section 128 of the *Courts of Justice Act*, R.S.O. 1990, c. C.43, as amended;
 - (g) postjudgment interest in accordance with section 129 of the *Courts of Justice Act*;
 - (h) the costs of this proceeding, plus all applicable taxes; and

- (i) Such further and other Relief as to this Honourable Court may seem just.

2. The grounds for the application are:

- (a) Gold Candle is a judgment creditor of the Respondents GSR Mining Corporation ("**GSR Mining**") and AJ Perron Gold Corp. ("**AJ Perron**") pursuant to the following (together, the "**Judgments**"):

- (i) the Order of the Ontario Court (General Division) filed April 4, 1997 as Court File No. 97-MU-16878, incorporating the Order of the Arbitrator, J.W. Samuels, dated November 9, 1995; and

- (ii) the Order of the Ontario Court (General Division) filed April 4, 1997 as Court File No. 97-MU-16879, incorporating the Order of the Arbitrator, J.W. Samuels, dated February 21, 1997;

- (b) The Judgments were assigned to Gold Candle by the United Steel Workers of America, Local 9283 (the "**Union**") pursuant to an Assignment Agreement dated January 29, 2015 (the "**Assignment Agreement**");

- (c) Pursuant to the Assignment Agreement, Gold Candle holds a Debenture and General Security Agreement from GSR Mining, in the maximum amount of Three Million Dollars (\$3,000,000) dated November 29, 1989 (the "**GSR Debenture**") and registered on April 6, 1994;

- (d) The GSR Debenture grants a security interest over the collateral described therein;

- (e) Gold Candle has acquired the mining rights (the “**Mining Rights**”) in respect of the lands comprising the Kerr-Addison gold mine in northern Ontario (the “**Kerr-Addison Mine**” or the “**Mine**”), which ceased operations in 1996. The Applicant intends to re-commence gold mining operations at the site;
- (f) GSR Mining Corporation (“**GSR Mining**”) and Deak Resources Corporation (“**Deak Resources**”) are the registered 50 percent co-owners of certain of the Mine's surface rights;
- (g) Subsequent to the acquisition of its interest in the Limited Surface Rights, Deak Resources was amalgamated with AJ Perron;
- (h) AJ Perron was dissolved effective April 10, 2000;
- (i) GSR Mining owes an amount of approximately \$124,301.73 (the “**Municipal Tax Debt**”) to the Township of McGarry (the “**Township**”) in respect of municipal taxes;
- (j) The Respondents and their affiliates have failed to comply with their obligations under the *Mining Act*, R.S.O. 1990, c.M.14, as amended, insofar as they have, among other things, failed to remediate the Mine site;
- (k) On March 17, 2016, Gold Candle issued writs of seizure and sale (the “**Writs**”) in respect of the Judgments;
- (l) Each of the Writs was issued more than six (6) years after the date of the relevant Judgment and as such, leave is required;

- (m) The Judgments were obtained within the relevant limitation periods and remain unsatisfied;
- (n) The Applicant proposes that A. Farber & Partners Inc. ("**Farber**") be appointed Receiver in this proceeding;
- (o) Farber has consented to act as Receiver;
- (p) It is just and convenient in the circumstances for a receiver to be appointed on the terms set out in the proposed Appointment Order;
- (q) The relief sought herein is just and appropriate, particularly given the benefits that will accrue to the known creditors and other stakeholders and the lack of undue prejudice to any party;
- (r) Gold Candle's efforts to reunite the Mining Rights with the related surface rights and re-open the Mine have the support of the stakeholders including, in particular, the Union, the Township and the Ministry of Mining and Northern Development;
- (s) Neither of the Respondents has carried on operations for approximately twenty (20) years and AJ Perron was dissolved in 2000. Consequently, current and accurate records in respect of the Respondents and the location of the Property (or disposition of former assets) are unlikely to be available;
- (t) The examination of Mr. Perron is necessary to enable the Receiver to identify, locate and secure the Property and otherwise carry out its duties;

- (u) Sections 101 and 106 of the *Courts of Justice Act*, R.S.O. 1990, c. C.43, as amended;
 - (v) Sections 242 and 244(2) of the Ontario *Business Corporations Act*, R.S.O. 1990, c. B.16, as amended;
 - (w) Rules 14.05(1), 41 and 60.07(2) of the Ontario *Rules of Civil Procedure*; and
 - (x) Such further and other grounds as the lawyers may advise.
3. The following documentary evidence will be used at the hearing of the application:
- (a) Affidavit of Michael Berns, sworn April 4, 2016;
 - (b) Supplementary Affidavit of Michael Berns, sworn June 16, 2016
 - (c) Pre-Filing Report of the proposed Receiver, A. Farber & Partners Inc. dated ●, 2016;
 - (d) Supplementary Pre-Filing Report of the proposed Receiver, A. Farber & Partners Inc., to be filed; and
 - (e) Such further and other evidence as the lawyers may advise and this Honourable Court may permit.

(Date of issue)

April 18th 2016

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GOLD CANDLE LTD.
Applicant

-and -

GSR MINING CORPORATION and AJ PERRON GOLD CORP.
Respondents

Court File No.

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

**PROCEEDING COMMENCED AT
TORONTO**

FRESH AS AMENDED NOTICE OF APPLICATION

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tab 2

**ONTARIO
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B E T W E E N:

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Respondents

**AFFIDAVIT OF MICHAEL BERNES
(sworn June 16, 2016)**

June 16, 2016

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**ONTARIO
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B E T W E E N:

GOLD CANDLE LTD.

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Respondents

**AFFIDAVIT OF MICHAEL BERNES
(sworn June 16, 2016)**

I, MICHAEL BERNES, of Westchester County, in the State of New York, in the United States of America, **MAKE OATH AND SAY AS FOLLOWS:**

1. I am the President and a director of Gold Candle Ltd. ("**Gold Candle**"), and as such, I have personal knowledge of the matters to which I herein depose. I am also a lawyer called to the Bar in the State of New York and a founding partner at Bernes & Bernes, a business law firm in New York City. Where the source of my information or belief is other than my own personal knowledge, I have identified the source and the basis for my information and believe it to be true.
2. This Affidavit (the "**Supplementary Affidavit**") supplements and amends, and should be read in conjunction with, my Affidavit sworn April 4, 2016 (the "**First Affidavit**"). Capitalized

terms used herein are as defined in the First Affidavit unless otherwise defined herein. Attached hereto as **Exhibit “A”** is a copy of the First Affidavit (without Exhibits).

I. PURPOSE OF SUPPLEMENTARY AFFIDAVIT

3. The First Affidavit was sworn in support of Gold Candle's application (the “**Application**”) for an order under Section 101 of the *Courts of Justice Act*, R.S.O. 1990, c. C.43, as amended, among other things, (a) appointing A. Farber & Partners Inc. (“**Farber**”) as Receiver over the Limited Surface Rights, and (b) approving the proposed Agreement of Purchase & Sale in respect of the Limited Surface Rights.

4. However, for the reasons set out below, since the service and filing of the Application Record, Gold Candle has determined that it is appropriate to amend the scope of the relief sought.

5. In particular, Gold Candle now seeks an Order, among other things, appointing Farber as Receiver over all of the property of the Respondents (*i.e.*, rather than only the Limited Surface Rights, which are a subset thereof). In this regard, attached as Schedule “A” to the Fresh as Amended Notice of Application herein is a revised draft Appointment Order.

II. BACKGROUND

A. Nature of Proceeding

6. The Applicant, Gold Candle, has acquired the Mining Rights in respect of the lands comprising the Kerr-Addison Mine with a view toward re-commencing gold mining operations at the site. The Mining Rights were purchased by Gold Candle from a John Perron-controlled corporate vehicle, Kerr Jex Corporation, for a cash purchase price in the amount of \$500,000. Mr. Perron is also the guiding mind behind the Respondents, which, together with other Perron-

affiliated companies, failed to achieve commercial success in operating the Mine in the 1980s and early 1990s.

7. The purchase transaction in respect of the Mineral Rights closed in February 2015. Curiously, at the closing Mr. Perron (on behalf of Kerr Jex Corporation) directed that the purchase price be paid in the form of ten (10) separate \$50,000 cheques made out to him personally. While the parties had been in discussions regarding the possibility of a “net smelter return” agreement being granted to Kerr Jex as part of the purchase price, the form of such agreement was never finally agreed upon and the transaction closed without it being granted.

8. Mr. Perron's request regarding the cheques raised unsettling questions for Gold Candle regarding his behind-the-scenes maneuvering and handling of his web of companies (some of which are defunct and in the chain of title) and their activities, and the unknown effects and consequences resulting from this behaviour. In short, we don't know what we don't know. I believe that this proceeding will flush out, answer and lay to rest all such questions, clean the slate, and facilitate Gold Candle's development of the Mine.

9. Gold Candle originally intended to seek approval of the Agreement of Purchase & Sale on a “pre-pack” basis, in reliance upon, among other things, two appraisals of the value of the Limited Surface Rights (as defined in the First Affidavit).

10. However, subsequent to service and filing of the Application and First Affidavit, Mr. Perron advised me that he disagrees with the Appraisals (as defined in the First Affidavit) and intended to contest the proposed “pre-pack” proceeding and sale. Mr. Perron advised that he believes that the Respondents' surface rights have value which exceeds the Appraisal values. Accordingly, in the interests of economy, speed and fairness to Respondents (and Mr. Perron), I

have decided to abandon my efforts toward a “pre-pack” process, and now wish the Receiver to conduct a public sale of all of Respondents’ surface rights and any other interests which affect Gold Candle’s mine development plans. In my opinion, this is the optimal way of ensuring that Respondents’ assets will be valued fairly.

B. Adjournment of Application

11. I was surprised by Mr. Perron's decision to oppose the relief sought because I strongly believe that Respondent’s equity in the surface rights has been effectively eliminated by: (a) approximately \$280,000 in back taxes on the surface rights owed (for more than 20 years) to the Township of McGarry, and (b) substantial liquidated claims against Respondents, two (2) of which liquidated claims have been reduced to unexecuted judgments, which Gold Candle acquired from a third party in 2015.

12. Furthermore, as detailed in the First Affidavit and below, it appears that the Respondents ceased all business activities in the mid 1990's, have either ignored or have been unable to pay significant long-standing unpaid creditor and union claims, have failed to pay property taxes for approximately two decades and have failed to comply with various provisions of the *Mining Act* relating to health, safety, remediation and closure obligations. Moreover, the Respondent AJ Perron has been dissolved since 2000.

13. That said, in light of Mr. Perron's objections Gold Candle and the Respondents agreed to adjourn the matter to allow for discussions between the parties and, if necessary, to provide the Respondents with the opportunity to file responding materials and allow the parties to conduct cross-examinations. Pursuant to the Endorsement of the Honourable Mr. Justice Wilton-Siegel

dated May 3, 2016, the Application was adjourned to July 6, 2016. A copy of the Endorsement of the Honourable Mr. Justice Wilton-Siegel dated May 3, 2016 is attached hereto as **Exhibit “B”**.

14. On May 5, 2016, I spoke with Mr. Perron and his legal advisors in an attempt to resolve this matter. This discussion was unproductive from that perspective; however, it did arouse my curiosity and spark concerns about Mr. Perron’s interests and motives, leading me to seek the amended relief sought herein, including replacing the “pre-pack” process originally sought by Gold Candle with an open, public offering and sale of the Surface Rights.

C. Stakeholder Support

15. Gold Candle served a very broad collection of parties with its Application and the First Affidavit. A number of these parties subsequently contacted Gold Candle (or its counsel) to express support for the relief sought therein. In particular, I note the following:

- (a) Pursuant to an email from Catherine Wyatt of the Ministry of Northern Development and Mines (the “**Ministry**”) dated May 2, 2016 to Gregory Azeff of Fogler, counsel to the Applicant, the Ministry advised that it did not object to the relief sought by Gold Candle provided that it only encompassed surface rights in respect of "...parcels that form part of the mine site and for which Gold Candle already owns the mining rights." Ms. Wyatt also confirmed that The Public Guardian and Trustee, the Ministry of Finance and the Ministry of Economic Development, Employment and Infrastructure also take no position on the Application. A copy of the email is attached hereto as **Exhibit “C”**; and
- (b) Pursuant to an email from Henry Weilenmann, counsel to the Ministry of Transportation (the “**MTO**”) to Mr. Azeff dated April 28, 2016, the MTO advised

that it was not taking a position on the Application. A copy of the email is attached hereto as **Exhibit “D”**.

16. Other than Mr. Perron, I am not aware that any party intends to oppose the Application, even in light of the expanded and amended relief.

III. NEED FOR A RECEIVER

A. Overview

17. I believe that the appointment of a receiver is just and convenient in the circumstances. As set out in detail in the First Affidavit, the Mine has lain dormant for approximately 20 years, and the subject lands are burdened by a confusing web of ownership, liabilities and other competing interests. The web of legal issues and uncertainties related to the Mine, its registered owners and the subject lands are such that the situation can only be resolved effectively and definitively with the assistance of the Court.

18. The only known opposition to the relief sought in the Application is Mr. Perron, who has – to the best of my knowledge – shown little, if any, interest in the Respondents, the Mine or any of its creditors or other stakeholders.

19. Gold Candle intends to re-commence gold mining operations at the site and in this regard has worked diligently with the various stakeholders in order to mobilize support. I believe that the re-opening of the Mine will be of significant benefit to the region, which has been economically depressed since the Mine ceased operations in the mid-1990s.

B. Uncertainties Regarding Title to Surface Rights

20. As set out in the First Affidavit, the Respondent GSR Mining and Deak Resources (the predecessor to AJ Perron) are each the registered 50 percent co-owners of the Surface Rights. Subsequent to the acquisition of its interest in the Surface Rights, Deak Resources was amalgamated with the Respondent AJ Perron, which was dissolved effective April 10, 2000.

21. I am not aware of any business activities of GSR Mining subsequent to the closure of the Mine.

22. As set out in detail in the First Affidavit, in addition to the uncertainties related to the dissolution of one of the co-owners, the Surface Rights are subject to a number of liens and other encumbrances, the specifics of some of which are largely unknown due to the passage of time and lack of relevant documentation and court files. The various registrations against the Surface Rights are set out in the parcel registers attached hereto as **Exhibit "E"**.

C. The Mine's Condition

23. Based upon my consultations and communications with various stakeholder groups as outlined above, it is apparent that the actions of Mr. Perron and his companies have left a legacy of bad will in the region principally due to the circumstances of the Mine's closing, the condition in which the subject lands were left following same and the impact on former employees and other stakeholders.

24. Consequently, in order to proceed with this project and mobilize support for the initiative, I have had to identify, address and resolve many such issues.

D. The Ministry

25. The first issue I addressed was the status of the property from the viewpoint of the Ministry, which has the primary responsibilities of: (1) enforcing the obligations of proponents (including mineral right and surface right owners) under the *Mining Act* respecting matters of health and safety, the environment, mine closure and financial responsibility for closure including remediation, and (2) facilitating responsible good faith efforts from the private sector to engage in mining operations.

26. My discussions with the Ministry left me with the distinct and clear impression that Mr. Perron, Kerr Jex (from which Gold Candle purchased the Mining Rights in February 2015), GSR Mining, AJ Perron and Mr. Perron's other companies do not have the support of the Ministry. In particular, it is my impression that Mr. Perron and his web of alter ego companies have brazenly ignored countless written requests over the years to comply with their respective obligations and responsibilities under the *Mining Act*.

27. In light of the foregoing, I believed that it was imperative to the success of Gold Candle's initiative that it first demonstrate to the Ministry that it would be a responsible, diligent and trustworthy proponent. Accordingly, over an extended period of meetings and discussions the Ministry and I were able to arrive at a mutual understanding of how the Ministry and Gold Candle would be able to move forward in a practical and effective way consistent with the spirit and intent of the *Mining Act*.

28. These discussions culminated in a mutual understanding that the Ministry would afford Gold Candle "breathing room" sufficient to assess and advance its development initiative without

fear of the Ministry insisting on Gold Candle producing a closure plan and posting financial security for same, in return for its expectation that Gold Candle would:

- (a) diligently seek to re-unite the mineral rights with the surface rights;
- (b) remediate an open environmental hazard (*i.e.*, a cyanide pile) at the Mine site;
- (c) remove rusting and leaking petroleum containers;
- (d) replace and repair perimeter fencing and install new, locked entry gates at the entrance to the property;
- (e) install an underground monitor to assess ground stability, and
- (f) report to the Ministry after two years on progress and concurrently present a five (5) year plan of anticipated operations.

29. Gold Candle has met all of the Ministry's expectations, and its relations with the Ministry remain excellent. Ministry officials have expressed to me the Ministry's satisfaction (indeed, relief) with Gold Candle's efforts and results. Exclusive of the more than \$750,000 consideration paid to the vendors of the mineral rights (\$500,000 was paid to Mr. Perron's Kerr Jex Corporation (as described at paragraph 6), \$225,000 was paid to an unrelated vendor, and \$40,000 was paid to an unrelated vendor of certain surface rights), Gold Candle has spent in excess of an additional \$400,000, and agreed to make a contingent \$1,500,000 payment to a third party, in connection with complying with the Ministry's expectations. Gold Candle believes that an additional \$100,000 will be spent in the future on compliance with the Ministry's expectations. Finally, Gold

Candle will be required to satisfy the outstanding \$280,000 tax obligation owing to the Township of McGarry.

E. Consolidation of Title

30. By purchasing the property from Mr. Perron's Kerr Jex Corporation, and also acquiring additional mineral claims from an unrelated vendor (for a \$225,000 purchase price) in February 2015, Gold Candle has now consolidated 100% of the mineral rights; the last time that there was a single owner of the mineral rights was 1996. I understand that this is appreciated by the Ministry.

31. The purpose of this Application is to complete the consolidation of all of the Perron-controlled surface rights with all rights in the project in order to facilitate development. If successful, it would be the first time in 20 years that the surface rights would be re-united with the related mineral rights. As previously noted, the Ministry has indicated is highly supportive of these efforts, and I believe that Gold Candle has demonstrated to the Ministry that it is reliable, responsible and effective. Attached hereto as **Exhibit "F"** is a copy of a letter dated June 1, 2016 from Clive Stephenson of the Ministry confirming the Ministry's view that single ownership of the mineral and surface rights is preferable and advantageous.

F. Encumbrances and Other Title Issues

32. The second issue that I believe Gold Candle needed to address to garner stakeholder support was with respect to the unpaid creditors left behind by Mr. Perron's companies.

33. To the best of my knowledge the Mine's largest creditor (following its closure in 1996) was the United Steelworkers, the mine workers' union. As set out in detail in the First Affidavit, the Union held a debenture with a face value of \$3 million, with a liquidated amount (exclusive of interest, which has been accruing for more than 20 years) in the amount of \$1,170,000. This

amount represents unpaid wages and other amounts owing to the mine work force (*i.e.*, generally local residents) whom Mr. Perron and his companies never paid, despite there being no issue over the validity of the claim for such amounts.

34. The Union also held two (2) unexecuted judgments against GSR Mining. After explaining to the Union what I was trying to accomplish in attempting to consolidate the property and recommence operations and exploration, I was able to purchase the debentures and judgments from the Union by agreeing, among other things, that: (1) the Union would have a future role in representing the mine workers, (2) Gold Candle would seek to include future mine workers in a \$1,500,000 profit sharing plan, and (3) Gold Candle would not release Mr. Perron from any Union liabilities.

G. Unpaid Taxes

35. The third issue that I have had to address was the unpaid real estate taxes on the GSR Mining surface rights owed to the Township of McGarry; I believe these back taxes exceed \$280,000. I am advised by the Honourable Clermont Lapointe, Mayor of the Township of McGarry (comprised of Kirkland Lake, Larder Lake and Viginatown), and do verily believe that Mr. Perron and his companies have not paid any of these taxes for over 20 years.

36. I believe that my relationship with the Township is very strong and, based upon numerous discussions with the local officials, I am confident that we will be able to deal with the back tax issue expeditiously after acquiring the Surface Rights.

H. Conclusion Regarding Stakeholder Support

37. From the viewpoints of the Ministry, the Union, various creditors, the local municipality and past workers, Mr. Perron has acted irresponsibly and dishonourably. Mr. Perron and his

companies have not lived up to their legal obligations, and left a dangerous, hazardous environmental blight at the site.

38. In short, based upon my discussions with stakeholders, I believe that: (i) Mr. Perron and his companies have left a legacy of misery and despair in the region, and have left local families without hope after years (and in some cases, generations) of faithful service to the Kerr Addison Mine; and (ii) these same stakeholders are extremely supportive of Gold Candle's efforts to reopen the Mine.

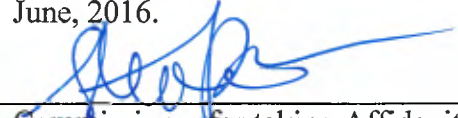
IV. CONCLUSION

39. In my view, Mr. Perron's opposition to the "pre-pack" process is based upon his mistaken belief of the value of the surface rights, and the extent of the liabilities affecting and encumbering the Respondents and their respective property interests. Then again, his opposition herein could merely be a veiled, last gasp attempt to somehow extract even more money from a failed project he left for dead decades ago, with a stunning array of creditors, stakeholders and despairing local families left holding the bag.

40. In summary, I believe that the appointment of a receiver is just and convenient in the circumstances.


41. I swear this affidavit in support of an Application for an Appointment Order in the form attached as Schedule "A" to the Fresh as Amended Notice of Application herein, and for no other or improper purpose or delay.

SWORN before me at the City of Toronto,
in the Province of Ontario, this 16th day of
June, 2016.



Commissioner for taking Affidavits

Stephanie De Caria



MICHAEL BERNES

This is Exhibit "A" referred to in the Affidavit of Michael Berns
sworn June 16, 2016

A handwritten signature in blue ink, appearing to read "Steph", is written over a horizontal line.

Commissioner for Taking Affidavits (or as may be)

Stephanie De Carle

Court File No.:

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

B E T W E E N:

GOLD CANDLE LTD.

Applicant

-and-

GSR MINING CORPORATION and AJ PERRON GOLD CORP.

Respondents

**AFFIDAVIT OF MICHAEL BERNS
(sworn April 4, 2016)**

April 4, 2016

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Lawyers for the Applicant

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Court File No.:

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

B E T W E E N:

GOLD CANDLE LTD.

Applicant

-and-

GSR MINING CORPORATION and AJ PERRON GOLD CORP

Respondents

**AFFIDAVIT OF MICHAEL BERNES
(sworn April 4, 2016)**

I, MICHAEL BERNES, of Westchester County, in the State of New York, in the United States of America, **MAKE OATH AND SAY AS FOLLOWS:**

1. I am the President and a director of Gold Candle Ltd. ("**Gold Candle**"), and as such, I have personal knowledge of the matters to which I herein depose. I am also a lawyer called to the Bar in the State of New York and a founding partner at Bernes & Bernes, a boutique business law firm in New York City. Where the source of my information or belief is other than my own personal knowledge, I have identified the source and the basis for my information and believe it to be true.

I. RELIEF SOUGHT

2. This Affidavit is sworn in support of an application (the “**Application**”) for an order (the “**Appointment Order**”) under Section 101 of the *Courts of Justice Act*, R.S.O. 1990, c. C.43, as amended, among other things:

- (a) appointing A. Farber & Partners Inc. as Receiver over the parcels listed at **Schedule “A”** hereto (collectively, the “**Limited Surface Rights**”);
- (b) staying all proceedings and remedies taken or that might be taken in respect of the Limited Surface Rights or the Respondents, except as set forth in the Appointment Order or otherwise permitted by law;
- (c) authorizing the issuance of the Writs (as defined at paragraph 42 below) *nunc pro tunc*;
- (d) approving the proposed Agreement of Purchase & Sale (as defined at paragraph 48 below) in respect of the Limited Surface Rights and authorizing the Receiver to enter into and perform its obligations under same;
- (e) granting the proposed Approval & Vesting Order (as defined at paragraph 63 below); and
- (f) granting the Receiver’s Charge (as defined at paragraph 61 below).

II. BACKGROUND

A. Nature of Proceeding

3. The Applicant, Gold Candle, has acquired the Mining Rights (as defined at paragraph 24(b) below) in respect of the lands comprising the Kerr-Addison gold mine in northern Ontario (the “**Kerr-Addison Mine**” or the “**Mine**”) with a view toward re-commencing gold mining operations at the site. I believe that the re-opening of the Mine will be of significant benefit to the region, which has been economically depressed since the Mine ceased operations in the mid-1990s. Gold Candle holds security over the related Surface Rights, which were severed from the Mining Rights due to certain historical events, as well as the Judgments (as defined below).

4. The Respondent GSR Mining Corporation (“**GSR Mining**”) and Deak Resources Corporation (“**Deak Resources**”) are the registered 50 percent co-owners of the Surface Rights. Subsequent to the acquisition of its interest in the Surface Rights, Deak Resources was amalgamated with the Respondent AJ Perron Gold Corp. (“**AJ Perron**”). AJ Perron was dissolved effective April 10, 2000.

5. Gold Candle seeks to ultimately acquire the Limited Surface Rights and ultimately reunite same with the Mining Rights. In particular, Gold Candle seeks an Order appointing the Receiver over the Limited Surface Rights for the purpose of, among other things, selling the Limited Surface Rights to Gold Candle on the terms and conditions described below.

6. In this regard, Gold Candle and the proposed Receiver have entered into the Agreement of Purchase & Sale, subject to the approval of this Honourable Court. I believe that such relief is just and appropriate in the circumstances, particularly given the benefits that will accrue to the known

creditors and other stakeholders, the lack of undue prejudice to any party and a proposed purchase price that exceeds any reasonable estimate of the fair market value of the Limited Surface Rights.

7. I believe that it is appropriate in the circumstances that the Receiver be authorized and directed to investigate and report upon the existence and location of any other of the Respondents' remaining assets and affairs. Due to the passage of time, the complicated web of interrelated companies and co-ownership, and the dearth of available business records, it has not been possible for me to obtain such information thus far.

B. Gold Candle Ltd.

8. The Applicant, Gold Candle, is a corporation incorporated pursuant to the laws of the Province of Ontario. Attached hereto as **Exhibit "A"** is a copy of a Corporate Profile Report dated January 12, 2016 in respect of Gold Candle. As noted above, Gold Candle intends to re-commence operation of the Kerr-Addison Mine.

C. Kerr-Addison Mine

9. The Kerr-Addison Mine is located near Virginiatown, which sits a short distance west of the Quebec border approximately 250 kilometres north of North Bay. Attached hereto as **Exhibit "B"** is a copy of a map indicating the location of the Kerr-Addison Mine.

10. The Mine is in the heart of what is known as the "Golden Corridor" running from Timmins, Ontario to Val d'Or, Quebec. The area comprises a major section of the Abitibi-Greenstone Belt, considered to be likely the most prolific geological formation of its kind in the world, and to date more than 160 million ounces of gold have been extracted from it.

11. The Kerr-Addison Mine commenced operations in 1938 and ceased operation in 1996. During its 58-years of operations the Mine produced approximately 11 million ounces of gold, which was mined down to a depth of approximately 1.4 kilometers. At its peak, more than half a million ounces of gold per year were extracted from the Mine, which employed approximately 2,500 people.

D. GSR Mining Corporation

12. GSR Mining is a corporation existing pursuant to the laws of the Province of Ontario. Attached hereto as **Exhibit "C"** is a copy of a Corporate Profile Report dated January 11, 2016 in respect of GSR Mining.

13. GSR Mining was owned by the Respondent AJ Perron, which as described below has been dissolved. I understand that GSR Mining permanently ceased operations following the shutdown of the Kerr-Addison Mine.

E. AJ Perron Gold Corp.

14. AJ Perron Gold Corp. ("**AJ Perron**") was a corporation existing pursuant to the laws of the Province of Ontario. AJ Perron was dissolved effective April 10, 2000. Attached hereto as **Exhibit "D"** is a copy of a Corporate Profile Report dated January 11, 2016 in respect of AJ Perron.

15. AJ Perron was the successor to, among other companies, Deak Resources and Deak International Resources Corporation, ("**Deak International**"), and to the best of my knowledge at the time of its dissolution was the parent company of the Respondent GSR Mining.

16. In addition, based on my review of its annual reports and other available documentation (as described below), it appears that AJ Perron owned a ninety-nine (99) percent interest in Kerr Jex Corporation (“**Kerr Jex**”).

F. GSR Acquisition Corporation

17. GSR Acquisition Corporation (“**GSR Acquisition**”) was a corporation existing pursuant to the laws of the Province of Ontario. GSR Acquisition was dissolved effective September 10, 1996. Attached hereto as **Exhibit “E”** is a copy of a Corporate Profile Report dated January 11, 2016 in respect of GSR Acquisition.

18. Based on my review of the various historical records described below, it appears that GSR Acquisition formerly owned a seventy-seven (77) percent interest in GSR Mining. I do not know who owned the balance of GSR Mining during that period, nor do I know how AJ Perron acquired all of the equity shares in that company.

G. Kerr Jex Corporation

19. Kerr Jex is a corporation existing pursuant to the laws of the Province of Ontario. Attached hereto as **Exhibit “F”** is a copy of a Corporate Profile Report dated January 11, 2016 in respect of Kerr Jex.

H. United Steel Workers

20. The Mine’s employees were represented by the United Steel Workers of America, Local 9283 (the “**Union**”). As noted below, Gold Candle has agreed to recognize the Union for the purpose of operating the Mine.

III. SEVERANCE OF MINING RIGHTS AND SURFACE RIGHTS

A. Acquisition of Surface Rights

21. Based upon my review of the relevant parcel registers, on January 19, 1990, GSR Mining and Deak Resources each acquired a fifty (50) percent interest in the Surface Rights from Clarke, Henning & Hahn Ltd. in its capacity as the Trustee in Bankruptcy of Golden Shield Resources Ltd. ("**Golden Shield**").

22. As noted above and indicated on the Corporate Profile Report previously attached hereto as Exhibit "D", Deak Resources was subsequently amalgamated with AJ Perron, which has since been dissolved.

IV. DEBT & SECURITY

A. Assignment Agreement

23. Pursuant to an Assignment Agreement dated January 29, 2015 (the "**Assignment Agreement**"), the Union assigned to Gold Candle all of the Union's right, title and interest in and to the Secured Debentures and the Judgments (as such terms are defined below). A copy of the Assignment Agreement is attached hereto as **Exhibit "G"**. The assignment was given in consideration of, among other things, Gold Candle's agreement that it would recognize the Union for the purpose of operating the Mine.

B. The Secured Debentures

24. As a result of the Assignment Agreement, the Applicant holds the following documents (together, the "**Secured Debentures**"):

- (a) Debenture and General Security Agreement between GSR Mining, as debtor, and the Union, as creditor, in the maximum amount of Three Million Dollars (\$3,000,000) dated November 29, 1989 (the “**GSR Debenture**”) and registered on April 6, 1994, as security for the GSR Indebtedness (as defined below). The GSR Debenture grants a security interest over the collateral described at Section 3 thereof, including the surface rights described at Schedule “A” to the Document General to which it was appended for registration (collectively, the “**Surface Rights**”). A copy of the GSR Debenture is attached hereto as **Exhibit “H”**. Attached hereto as **Exhibit “I”** is a copy of a map indicating the location of the Surface Rights (and the included Limited Surface Rights); and
 - (b) Debenture and General Security Agreement between Kerr Jex, as debtor, and the Union, as creditor, in the maximum amount of Three Million Dollars (\$3,000,000) dated November 29, 1989 (the “**KJ Debenture**”) and registered on April 6, 1994. The KJ Debenture grants a security interest over the collateral described at Section 3 thereof, including the mining rights described at Schedule “A” to the Document General to which it was appended for registration (collectively, the “**Mining Rights**”). A copy of the KJ Debenture is attached hereto as **Exhibit “J”**. Attached hereto as **Exhibit “K”** is a copy of a map indicating the location of the Mining Rights.
25. The GSR Debenture and the KJ Debenture reflect a historical separation of the Mining Rights from the Surface Rights in respect of the subject matter lands. The Mining Rights were purchased by Kerr Jex while GSR Mining retained the related Surface Rights.

26. Gold Candle has since acquired the Mining Rights from Kerr Jex. Attached hereto as **Exhibit “L”** is a list of the Mining Rights acquired by Gold Candle.

27. Attached hereto as **Exhibit “M”** are copies of the Parcel Registers dated February •, 2016 in respect of 20 individual parcels that collectively comprise the Limited Surface Rights. The Limited Surface Rights comprise vacant, undeveloped lands, and each of the parcels is subject to the following four registrations:

- (a) Charge granted by Deak Resources, over its undivided 50 percent interest, in favour of Deak International Resources Holdings Ltd. (“**Deak Holdings**”) in the amount of \$1,363,963 dated September 29, 1992 under registration No. LT275798;
- (b) Charge granted by Deak Resources, over its undivided 50 percent interest, in favour of Deak Holdings in the amount of \$225,000 dated October 1, 1992 under registration No. LT275869;
- (c) Debenture granted by Deak Resources, over its undivided 50 percent interest, in favour of Bradley Bros. Limited (“**Bradley Bros.**”) in the amount of \$623,000 dated December 15, 1992 under registration No. LT276952. This obligation is not referenced in the Perron Financial Statements (as defined at paragraph 36 below);
and
- (d) the GSR Debenture.

28. The charter of Deak Holdings was cancelled effective August 26, 1996.

29. The registration in favour of Bradley Bros. relates to a Convertible Fixed and Floating Charge Term Debenture dated September 1, 1992 (the ("**Deak Debenture**") given by Deak Resources (predecessor to AJ Perron and thus dissolved since April 10, 2000). By its terms, the Deak Debenture granted security in favour of Bradley Bros. only over the interest of Deak Resources. A copy of the Deak Debenture is attached hereto as **Exhibit "N"**.

30. The Deak Debenture provides for a maturity date of June 30, 1996.

31. The Parcel Registers also reference a construction lien certificate of action. Attached hereto as **Exhibit "O"** is a copy of the relevant Document General registered November 6, 1996 against Deak Resources and GSR Mining in favour of McDowell Brothers Industries Inc. I am advised by my counsel, Gregory Azeff of Fogler Rubinoff LLP, and do verily believe that in November 2015 his office contacted the Timiskaming Land Registry Office as well as the local court office to try to obtain the court file related to this matter. Thus far the court file cannot be located and no further information is available.

C. The Memorandum of Agreement

32. The Secured Debentures secure certain obligations under a Memorandum of Agreement (the "**MOA**") between GSR Acquisition (subsequently assumed by GSR Mining) and the Kerr Addison Employees' Association and United Steelworkers of America dated November 29, 1989. A copy of the MOA is attached hereto as **Exhibit "P"**.

33. The preamble to the MOA provides that at the time of its execution, GSR Acquisition was in the process of acquiring the "business" of Golden Shield, which was in the midst of bankruptcy proceedings commenced July 4, 1989. Prior to its bankruptcy, Golden Shield had operated the Kerr-Addison Mine. Attached hereto as **Exhibits "Q"** and **"R"**, respectively, are copies of a

Corporate Profile Report dated January 12, 2016 and a Bankruptcy Search dated January 12, 2016 in respect of Golden Shield.

34. Pursuant to the MOA, the parties agreed that upon GSR Acquisition's acquisition of Golden Shield's business, GSR Acquisition (or its nominee operator and employer) would enter into a collective agreement with the Union that included certain terms specified in the MOA.

35. GSR Acquisition's subsidiary, GSR Mining, was designated as the operator and employer in respect of the Mine. Pursuant to the GSR Debenture, GSR Mining subsequently assumed and acknowledged that it was bound by the MOA and was required to, among other things, make certain retirement and termination payments.

D. Acknowledgment of GSR Indebtedness to Union

36. AJ Perron's audited consolidated financial statements (the "**Perron Financial Statements**") dated June 20, 1996 for the year ended December 31, 1995 (*i.e.*, its last full year of operations) incorporate its subsidiary GSR Mining's results. A copy of the Perron Financial Statements is attached hereto as **Exhibit "S"**.

37. The Perron Financial Statements acknowledge indebtedness to the Union for past severance pay in the amount \$1.222 million (the "**GSR Indebtedness**"). Specifically, the consolidated financial statements acknowledge an Agreement dated March 22, 1994 and a Memorandum of Agreement dated March 25, 1994, each between GSR Mining and the Union (together, the "**GSR Agreement**"), pursuant to which GSR Mining: (i) acknowledged the GSR Indebtedness, and (ii) agreed to pay the GSR Indebtedness by making an initial payment in the amount of \$50,000 and monthly payments in the amount of \$20,000 commencing March 15, 1995 until the GSR Indebtedness has been paid in full.

38. I am advised by Martin Warren, Director, Ontario and Atlantic Canada, United Steel Workers of America, and do verily believe that the Union has no records indicating that payments have been made by GSR Mining to the Union in respect of the GSR Indebtedness, other than the initial payment in the amount of \$50,000.

39. As more particularly described above at paragraph 24(a), the GSR Indebtedness is secured under the GSR Debenture.

E. The Judgments

40. GSR Mining and AJ Perron failed to satisfy their obligations under the collective agreement with the Union, which subsequently commenced proceedings against them pursuant to Section 48(19) of the Ontario *Labour Relations Act, 1995* and obtained a number of rulings against them including the following (together, the “**Judgments**”):

- (a) Order of the Ontario Court (General Division) filed April 4, 1997 as Court File No. 97-MU-16878, incorporating the Order of the Arbitrator, J.W. Samuels, dated November 9, 1995. The balance outstanding is approximately \$135,312.86 including accrued interest through April 1, 2016. The Judgment arose from a failure by GSR Mining and AJ Perron to pay certain amounts to the Union during the period between December 1994 and September 1995; and
- (b) Order of the Ontario Court (General Division) filed April 4, 1997 as Court File No. 97-MU-16879, incorporating the Order of the Arbitrator, J.W. Samuels, dated February 21, 1997. The balance outstanding under this Judgment is approximately \$52,919.99 including accrued interest through April 1, 2016. The Judgment arose

from a failure by GSR Mining and AJ Perron to pay certain amounts to the Union during the period ended January 1996.

Copies of the Judgments are attached hereto as **Exhibits “T” and “U”**, respectively. As noted above, pursuant to the Assignment Agreement Gold Candle is the assignee of the Judgments.

41. I am advised by Martin Warren, Director, Ontario and Atlantic Canada, United Steel Workers of America, and do verily believe that the Union has no records indicating that any payments have been made in respect of the Judgments. Accordingly, the aggregate amount payable under the Judgments is approximately \$188,232.85 as at April 1, 2016. Attached hereto as **Exhibit “V”** is a chart setting out the relevant calculations.

42. On March 17, 2016, Gold Candle issued writs of seizure and sale (the **“Writs”**) in respect of the Judgments. Attached hereto as **Exhibit “W”** are copies of the Writs.

F. Indebtedness to Township of McGarry

43. GSR Mining owes an amount of approximately \$124,301.73 (the **“Municipal Tax Debt”**) to the Township of McGarry in respect of municipal taxes. I am advised by my counsel, Gregory Azeff of Fogler, Rubinoff LLP, that the Township of McGarry has a lien against the Kerr-Addison property (including, in particular, the Surface Rights) securing payment of the Municipal Tax Debt.

44. If approved, as part of the Purchase Price (as defined below in paragraph 49) Gold Candle will assume liability for the Municipal Tax Debt. In this regard, the Township of McGarry has confirmed the amount of such liability in a letter to Gold Candle from His Worship Mayor Clermont Lapointe dated March 22, 2016, a copy of which is attached hereto as **Exhibit “X”**.

V. APPOINTMENT & SALE APPROVAL

A. The Appointment

45. The Applicant proposes that A. Farber & Partners Inc. ("**Farber**") be appointed Receiver in this proceeding. Farber has consented to act as Receiver and its written consent is being filed with this Honourable Court. I believe that it is just and convenient in the circumstances for a receiver to be appointed on the terms set out in the proposed Appointment Order.

46. As described above, the passage of time and the complicated history of interrelated companies, co-ownership and dissolution, as well as the severe shortage of available business records, have rendered the Limited Surface Rights impossible for any party to deal with in the absence of judicial assistance and direction.

47. With the appropriate authority and direction of the Court the Receiver will be in a position to effectively investigate the assets and affairs of the Respondents and their affiliates, and report its findings and recommendations to the Court and the stakeholders.

B. The Proposed Sale

48. The Applicant seeks an Order authorizing the Receiver to enter into an Agreement of Purchase & Sale (the "**Agreement of Purchase & Sale**"), pursuant to which the Applicant will acquire the Limited Surface Rights from the Receiver if approved by this Honourable Court.

49. The Agreement of Purchase & Sale (to be filed with the proposed Receiver's Pre-Filing Report) provides for, among other things, a purchase price in the amount of approximately \$422,534.58 (the "**Purchase Price**"), comprised of the following:

- (a) cash in the amount of approximately \$110,000 payable on closing;

- (b) assumption of liability for the Municipal Tax Debt in the amount of approximately \$124,301.73; and
- (c) the balance in the form of a “credit bid” comprised of an amount of \$188,232.85 owing to Gold Candle in respect of the Judgments.

50. The cash component of the Purchase Price will be used to pay land transfer taxes, professional fees incurred in investigating the assets and affairs of the Respondents, administering the receivership and implementing the proposed transaction (if approved), and other costs.

C. Basis for Approval

51. I understand that this Honourable Court is generally reluctant to approve “pre-packaged” receivership sales. However, I believe that such extraordinary relief is just and appropriate in these somewhat unusual circumstances.

52. I do not believe that any further efforts by the Receiver to market the Limited Surface Rights will yield a purchase price in excess of that contained in the Agreement of Purchase & Sale.

53. Consequently, I do not believe that the Receiver would be acting improvidently in entering the Agreement of Purchase & Sale with the Applicant. Simply put, it is highly improbable that any party other than Gold Candle would have any interest in acquiring the Surface Rights, as Gold Candle already owns the Mining Rights and does not require the Limited Surface Rights to conduct gold mining operations on the subject lands.

D. Valuation of Surface Rights

54. While the proposed Receiver has not canvassed the market in the traditional manner (*i.e.*, by conducting a public sales process), I understand that in preparing its Pre-Filing Report (the

“Pre-Filing Report”) the proposed Receiver obtained two independent written valuations of the fair market value of the Surface Rights (together, the **“Appraisals”**):

- (a) Property Appraisal Report prepared by Victor Palangio Real Estate Ltd. dated March 14, 2016 (the **“Palangio Report”**). The Palangio Report includes an estimated market value of \$412,150 for the Limited Surface Rights as at March 2, 2016; and
- (b) Written Appraisal from Northern Pride Real Estate Ltd., a real estate brokerage in Englehart, Ontario, dated February 20, 2016 (the **“Northern Pride Report”**). The Northern Pride Report values the Limited Surface Rights at between the estimated amounts of \$109,607.84 and \$256,943.84.

I am advised by Mr. Peter Crawley of A. Farber & Partners Inc., the proposed Receiver, and do verily believe that copies of the Appraisals referenced at subparagraphs (a) and (b) above will be attached as Schedules to the Pre-Filing Report.

55. As noted at paragraph 49 above, the aggregate value of the various components of the Purchase Price payable under the Agreement of Purchase & Sale significantly exceeds these appraised values.

E. Benefits of Orders Sought

56. The consolidation and “clean up” of title to the lands involved that would result from the proposed transaction would simplify and facilitate investment, exploration, development and operations at the Mine, benefiting a wide range of economic stakeholders in an economically-depressed region of Ontario. Specifically, consolidating title to the mineral and surface rights will

allow for uncollectable municipal property taxes in respect of the Limited Surface Rights to be remitted to the Township of McGarry, will add to the municipal tax base on a go-forward basis and will jump-start proposed mining activities, leading to job creation and increased economic opportunities for local residents.

57. I am advised by my counsel and do verily believe that notice of this proceeding will be provided to known creditors as well as a wide range of other stakeholders and potentially affected parties including the Respondents and their respective officers and directors, the Public Guardian and Trustee, the Ontario Ministry of Northern Development and Mines, the Township of McGarry, the Union and other known creditors.

58. I do not believe that the efficacy or integrity of the process which led to the Agreement of Purchase & Sale would benefit from any sort of typical public sale or auction process in this case. Rather, a sale process would lead to significant additional expense without the reasonable possibility of any other offers, let alone one competitive with the proposed Agreement of Purchase & Sale. In the circumstances, there are few, if any, other qualified purchasers.

59. There has been no unfairness in the process. The Mine has lain dormant for almost twenty years.

VI. GENERAL

A. The Stay of Proceedings

60. The Appointment Order contemplates a stay of all proceedings in respect of GSR Mining, AJ Perron and the Limited Surface Rights pending completion of the transaction contemplated in

the Agreement of Purchase and Sale and the Receiver's investigation of the Respondents' assets and affairs and administration of any remaining property.

B. Receiver's Charge

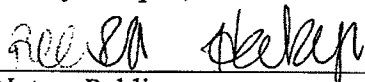
61. The Appointment Order contemplates the granting of a charge against the Limited Surface Rights in the amount of \$100,000 in favour of the Receiver and its counsel to secure the payment of fees and expenses incurred in connection with this proceeding (the "**Receiver's Charge**"). I believe this to be fair and reasonable in the circumstances.

C. Receiver's Counsel

62. The proposed Receiver retained independent counsel, Torkin Manes LLP, to advise it during negotiation of the Agreement of Purchase & Sale as well as through the receivership, should it be appointed.

63. I swear this affidavit in support of an Application for an Appointment Order and an Approval & Vesting Order (the "**Approval & Vesting Order**") in the forms annexed as Schedules "A" and "B", respectively, to the Notice of Application herein, and for no other or improper purpose or delay.

SWORN before me at the City of New York, in the United States of America, this 4th day of April, 2016.



Notary Public


MICHAEL BERNES

Rebecca Hedaya
NOTARY PUBLIC, STATE OF NEW YORK
Registration No. 02HE6276977
Qualified in Kings County
Commission Expires Feb. 25, 2017

This is Exhibit "B" referred to in the Affidavit of Michael Berns
sworn June 16, 2016



Commissioner for Taking Affidavits (or as may be)

Stephanie DeCarica

May 3, 2016

GOLD CANDLE LTD.
Applicant

-and- GSR MINING CORPORATION and AJ PERRON GOLD CORP.
Respondents

Court File No. CV-16-00011351-00CL

May 3/16

Adjourned on consent to July 6/16 (2 hrs).
w/ Hon. Mr. J.

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

PROCEEDING COMMENCED AT
TORONTO

APPLICATION RECORD

Fogler, Rubinoff LLP

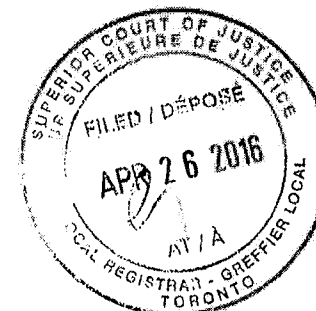
77 King Street West
Suite 3000
P.O. Box 95
Toronto-Dominion Centre
77 King Street West, Suite 3000
Toronto, ON M5K 1G8

Gregory R. Azeff (LSUC# 45324C)

Tel: (416) 365-3716 / Email: gazeff@fogler.com

Fax: (416) 864-9700

Lawyers for the Applicant



This is Exhibit "C" referred to in the Affidavit of Michael Berns
sworn June 16, 2016



Commissioner for Taking Affidavits (or as may be)

Stephanie DeCarla

Eng, Chloe

From: Wyatt, Catherine (MNDM) <catherine.wyatt@ontario.ca>
Sent: Monday, May 02, 2016 9:44 AM
To: Azeff, Greg
Cc: Weilenmann, Henry (MTO); O'Hara, Kevin (MOF); Cochrane, Rosemarie (MAG);
Letourneau, Amanda (ENERGY/MEDEI/MRI)
Subject: Notice of Application - Gold Candle Ltd. v. GSR Mining Corporation and AJ Perron Gold Corp.

Importance: High

Greg,

I received the Supplementary Application Record and see that the draft Receiver's Order and Approval and Vesting Order descriptions of the Limited Surface Rights has been corrected and now match up to the Limited Surface Rights (Ex. "M") in the Berns Affidavit. On the basis that the object of the Application is to have a Receiver appointed who can with court approval vest in Gold Candle Ltd. the Limited Surface Rights, being those surface rights only parcels that form part of the mine site and for which Gold Candle already owns the mining rights, MNDM has no objection and will not take a position at the hearing tomorrow.

The Public Guardian and Trustee, the Ministry of Finance and the Ministry of Economic Development, Employment and Infrastructure, through their respective counsel, have indicated they take no position and I believe Henry Weilenmann has contacted you directly to indicate that the Ministry of Transportation will not be taking a position.

Regards,

M. Catherine Wyatt

Senior Legal Counsel,
MAG Civil Law Division, MNDM Branch
Room M2-24 Macdonald Block, 900 Bay St.
Toronto, ON M7A 1C3
PH: (416) 327-3659 FX: (416) 327-3646
E-mail: catherine.wyatt@ontario.ca

VACATION ALERT: I will be away from May 9 – 24, 2016, returning May 25th.

 Please consider the environment before printing this email

NOTICE: This electronic transmission, including any attachments, contains confidential information that may be privileged and/or exempt from disclosure under applicable law, and is intended only for the use of the recipient(s) named above. Any distribution, review, dissemination or copying of the contents by anyone other than the intended recipient(s) is strictly prohibited. If you have received this communication in error, please notify the sender immediately and permanently delete the copy you have received.

This is Exhibit "D" referred to in the Affidavit of Michael Berns
sworn June 16, 2016

A handwritten signature in blue ink, appearing to read "Stephanie De Cora", written over a horizontal line.

Commissioner for Taking Affidavits (or as may be)

Stephanie De Cora

Eng, Chloe

From: Weilenmann, Henry (MTO) <Henry.Weilenmann@ontario.ca>
Sent: Thursday, April 28, 2016 1:34 PM
To: Azeff, Greg
Subject: RE: Gold Candle Ltd. vs GSR Mining Corporation and AJ Perron Gold Corp., Court File No. CV-16-11351CL

Greg,

I have a copy of the Supplementary Application from Aleks. It is apparent to me that the mis-description of the lands associated with PIN 61224-1322 (LT) has been corrected. As I read the Supplementary Application Record references to the proper PIN being PIN 61224-1356 (LT) have replaced the inactive PIN.

With this correction, the Ministry of Transportation does not plan to attend upon the hearing of the Application presently returnable on May 3, 2016.

I trust the above confirmation is satisfactory. Again, I can only speak for the Ministry of Transportation. If you have any questions about the role of the Ministry of Transportation, please do not hesitate to contact me.

Henry Weilenmann, Counsel, MTO Legal Services Branch, (416) 235-4419

From: Azeff, Greg [mailto:gazeff@foglers.com]
Sent: Thursday, April 28, 2016 10:23 AM
To: Weilenmann, Henry (MTO)
Subject: RE: Gold Candle Ltd. vs GSR Mining Corporation and AJ Perron Gold Corp., Court File No. CV-16-11351CL

Henry: Confirmed - pin will be corrected. Thanks.

Sent from [BlueMail](#)

On Apr 28, 2016, at 8:26 AM, "Weilenmann, Henry (MTO)" <Henry.Weilenmann@ontario.ca> wrote:

Greg,

Thank you for your reply. I will await your final assessment of the PINs. I appreciate your comment that it is not your client's intention to interfere with MTO's work.

Henry Weilenmann, Counsel, MTO Legal Services Branch, (416) 235-4419

From: Azeff, Greg [<mailto:gazeff@foglers.com>]

Sent: Wednesday, April 27, 2016 9:15 PM

To: Weilenmann, Henry (MTO)

Subject: Re: Gold Candle Ltd. vs GSR Mining Corporation and AJ Perron Gold Corp., Court File No. CV-16-11351CL

Henry: Thanks very much for the email. We are looking into it and will get back to you ASAP. For the time being, suffice it to say that it is not our intention to interfere with MTO's plans.

By the way, please call me Greg - Mr. Azeff is my father...

Regards,
Greg

Sent from [BlueMail](#)

On Apr 27, 2016, at 2:43 PM, "Weilenmann, Henry (MTO)" <Henry.Weilenmann@ontario.ca> wrote:

Dear Mr. Azeff,

I have been provided with a copy of your client's, Gold Candle Ltd.'s, Application Record that was recently served upon the Ministry of Northern Development and Mines.

For your information, the Ministry of Transportation ("MTO") has an active highway construction project in the vicinity of the lands associated with your client's Application.

I have been asked to review the lands described in your client's Application with regard to those lands expropriated by MTO for this project.

For your information, MTO is undertaking a highway construction project that involves the realignment of King's Highway 66 in the Township of McGarry. As part of this project, it was necessary for MTO to expropriate certain lands (surface rights only) that are required for this project. In March 2015, MTO registered various Plans of Expropriations in respect of the needed lands pursuant to the Expropriations Act.

I read in Schedule M of your client's Application Record three references to lands concerning the MTO project, being PIN 61224-1322 (LT), PIN 61224-1326 (LT) and PIN 61224-0786 (LT).

PIN 61224-1326 (LT) and PIN 61224-0786 (LT) concern MTO's temporary limited interests in expropriating such lands for a limited purpose until December 31, 2020 for the construction of the highway. Subject to this limitation, these lands are the lands of the named owner. MTO takes no issue with these lands.

The reference to PIN 61224-1322 (LT) seems to be an improper description of those lands comprising this PIN and seems to indicate that MTO is the owner.

I read on PIN 61224-1322 (LT) the following, "NOTE: this property was retired on 2015/09/23. This property is now divided into the following properties: 61224-1355 to 61224-1356".

It is my understanding that PIN 61224-1322 (LT) is an inactive PIN, which has been split into the following PINs: 61224-1355 (LT) which are the lands MTO has expropriated and PIN 61224-1356 (LT) which are the lands that remain in the name of Deak Resources Corporation (as well as GSR Corporation). I believe that PIN 61224-1356 (LT) should be the proper reference in Exhibit M. I am attaching both PINs 61224-1355 (LT) and PIN 61224-1356 (LT) for ease of reference.

Because I suspect that it was only your intention to refer to PIN 61224-1356 (LT) in Schedule M and elsewhere in the Application, I would appreciate your review of this matter and confirmation that you will correct and replace the description of the lands with PIN 61224-1356 (LT).

I look forward to your immediate reply, as I understand that your Application is returnable on May 3, 2016.

I should also clarify that my comments are only related to the concerns of MTO and I do not speak on behalf of any other Ministry of the Crown.

If you have any questions, please do not hesitate to contact me.

Henry Weilenmann, Counsel, MTO Legal Services Branch, (416) 235-4419

This is Exhibit "E" referred to in the Affidavit of Michael Berns
sworn June 16, 2016

A handwritten signature in blue ink, appearing to read "Steph", with a long, sweeping horizontal line extending to the right.

Commissioner for Taking Affidavits (or as may be)

Stephanee DeCaro

PROPERTY DESCRIPTION: SURFACE RIGHTS ONLY: MINING CLAIM L30131 MCGARRY EXCEPT PL M168TIM, PL M282TIM PTS 1, 2, 3, 4, 5, 6 DT49292 PT 1 DT51789; RESERVING THE SURFACE RIGHTS ONLY ON AND OVER THE ROW OF THE GOVERNMENT HWY PASSING THROUGH THE SAID CLAIM; MCGARRY ; DISTRICT OF TIMISKAMING

PROPERTY REMARKS: CROWN GRANT SEE TP10385.

ESTATE/QUALIFIER:

FEE SIMPLE
ABSOLUTE

RECENTLY:

DIVISION FROM 61224-1322

PIN CREATION DATE:

2015/09/23

OWNERS' NAMES

DEAK RESOURCES CORPORATION
GSR MINING CORPORATION

CAPACITY SHARE

REG. NUM.	DATE	INSTRUMENT TYPE	AMOUNT	PARTIES FROM	PARTIES TO	CERT/CHKD
** PRINTOUT INCLUDES ALL DOCUMENT TYPES AND DELETED INSTRUMENTS SINCE: 2015/09/23 **						
54R3333	1989/02/01	PLAN REFERENCE				C
LT263265	1990/04/23	ORDER		SUPREME COURT OF ONTARIO IN BANKRUPTCY	DEAK RESOURCES CORPORATION GSR MINING CORPORATION	C
		REMARKS: VESTING CORRECTIONS: 'PARTY: SUPREME COURT OF ONTARIO IN BANKRUPTCY' ADDED ON 2006/06/16 BY GLEN ALLAN PERRY.				
LT263268	1990/04/23	APL (GENERAL)				C
		REMARKS: VESTING				
LT275798	1992/09/29	CHARGE	\$1,363,963		DEAK INTERNATIONAL RESOURCES HOLDINGS LTD.	C
LT275869	1992/10/01	CHARGE	\$225,000		DEAK INTERNATIONAL RESOURCES HOLDINGS LTD.	C
LT276952	1992/12/15	DEBENTURE	\$623,000		BRADLEY BROS. LIMITED	C
LT283071	1994/04/06	DEBENTURE	\$2		UNITED STEEL WORKERS OF AMERICA, LOCAL 9283	C
LT294280	1996/09/25	CONSTRUCTION LIEN				C
LT294975	1996/11/12	CERT A CONST LIEN				C
		REMARKS: LT294280				
54R5717	2013/10/18	PLAN REFERENCE				C
54R5744	2014/03/18	PLAN REFERENCE				C
DT49390	2015/03/24	LR'S ORDER		LAND REGISTRAR, HAILEYBURY LAND REGISTRY OFFICE		C
		REMARKS: CORRECT TYPO IN PLAN NO. IN T/N				

NOTE: ADJOINING PROPERTIES SHOULD BE INVESTIGATED TO ASCERTAIN DESCRIPTIVE INCONSISTENCIES, IF ANY, WITH DESCRIPTION REPRESENTED FOR THIS PROPERTY.
NOTE: ENSURE THAT YOUR PRINTOUT STATES THE TOTAL NUMBER OF PAGES AND THAT YOU HAVE PICKED THEM ALL UP.

REG. NUM.	DATE	INSTRUMENT TYPE	AMOUNT	PARTIES FROM	PARTIES TO	CERT/ CHKD
54R5835	2015/03/26	PLAN REFERENCE				C

NOTE: ADJOINING PROPERTIES SHOULD BE INVESTIGATED TO ASCERTAIN DESCRIPTIVE INCONSISTENCIES, IF ANY, WITH DESCRIPTION REPRESENTED FOR THIS PROPERTY.
NOTE: ENSURE THAT YOUR PRINTOUT STATES THE TOTAL NUMBER OF PAGES AND THAT YOU HAVE PICKED THEM ALL UP.

PROPERTY DESCRIPTION: SURFACE RIGHTS ONLY: PT MINING CLAIM L30131 MCGARRY, PT 1 DT51789; DISTRICT OF TIMISKAMING

PROPERTY REMARKS: CROWN GRANT SEE TP10385.

ESTATE/QUALIFIER:

FEE SIMPLE

ABSOLUTE

RECENTLY:

DIVISION FROM 61224-1322

PIN CREATION DATE:

2015/09/23

OWNERS' NAMES

HER MAJESTY THE QUEEN IN RIGHT OF ONTARIO AS
REPRESENTED BY THE MINISTER OF TRANSPORTATION

CAPACITY SHARE

REG. NUM.	DATE	INSTRUMENT TYPE	AMOUNT	PARTIES FROM	PARTIES TO	CERT/ CHKD
** PRINTOUT INCLUDES ALL DOCUMENT TYPES AND DELETED INSTRUMENTS SINCE: 2015/09/23 **						
DT51788	2015/09/17	CERTIFICATE		HER MAJESTY THE QUEEN IN RIGHT OF ONTARIO AS REPRESENTED BY THE MINISTER OF TRANSPORTATION		C
REMARKS: EXPROPRIATIONS ACT						
DT51789	2015/09/17	PLAN EXPROPRIATION	\$70		HER MAJESTY THE QUEEN IN RIGHT OF ONTARIO AS REPRESENTED BY THE MINISTER OF TRANSPORTATION	C
REMARKS: 1						

NOTE: ADJOINING PROPERTIES SHOULD BE INVESTIGATED TO ASCERTAIN DESCRIPTIVE INCONSISTENCIES, IF ANY, WITH DESCRIPTION REPRESENTED FOR THIS PROPERTY.
NOTE: ENSURE THAT YOUR PRINTOUT STATES THE TOTAL NUMBER OF PAGES AND THAT YOU HAVE PICKED THEM ALL UP.

This is Exhibit "F" referred to in the Affidavit of Michael Berns
sworn June 16, 2016

A handwritten signature in blue ink, appearing to read "Stephanie DeCarer", written over a horizontal line.

Commissioner for Taking Affidavits (or as may be)

Stephanie DeCarer

Ministry of Northern Development
and Mines

Provincial Recording Office

3rd Floor, 933 Ramsey Lake Road
Sudbury ON P3E 6B5
Tel.: 705 670-5742
Fax: 705 670-5681
Toll Free Tel: 1 888 415-9845
Toll Free Fax: 1 877 670-1444

Ministère du Développement du Nord
et des Mines

Bureau provincial d'enregistrement minier

933, chemin du lac Ramsey, 3^e étage
Sudbury ON P3E 6B5
Tél. : 705 670-5742
Télééc. : 705 670-5681
Numéro de tél. sans frais : 1 888 415-9845
Numéro de télééc. sans frais : 1 877-670-1444



June 1, 2016

To whom it may concern:

Re: Reuniting the surface rights with the mineral rights for the former Kerr-Addison Mine Property.

The Kerr Addison Mine, located in Virginiatown, Ontario, produced over 10 million ounces of gold while in operation from 1938 to 1996. However, since production ceased in 1996, the majority of the mine hazards located on the property have not been rehabilitated to the standards required by the Mine Rehabilitation Code of Ontario, resulting in a serious risk to public health and safety.

The owners associated with the mine hazards located in, on and under the property have an ongoing obligation to carry out progressive rehabilitation of said mine hazards as per section 139.1 of the *Mining Act*.

When mining rights and surface rights are held under different ownership, it is often problematic for the different owners to carry out a consolidated and proper rehabilitation strategy. This can result in delays or a failure in rehabilitating mine hazards.

As such, the Ministry of Northern Development and Mines is supportive of having one owner for both the mining rights and surface rights of mine sites. Having a single owner simplifies the rehabilitation process by clarifying responsibility for rehabilitating mine hazards. Additionally, a single ownership will likely accelerate the rehabilitation of the site and reduce the risk to human health and the environment.

In addition having common ownership for both the surface and mining rights would serve to facilitate economic development of the property should this prove feasible.

Sincerely,

Clive D. Stephenson
A/Senior Manager
Mining Lands Section

GOLD CANDLE LTD.

Applicant

-and-

GSR MINING CORPORATION and AJ PERRON GOLD CORP.

Respondents

Court File No. CV-16-00011351-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

PROCEEDING COMMENCED AT
TORONTO

AFFIDAVIT OF MICHAEL BERNES

Fogler, Rubinoff LLP

77 King Street West

Suite 3000

P.O. Box 95

Toronto-Dominion Centre

77 King Street West, Suite 3000

Toronto, ON M5K 1G8

Gregory R. Azeff (LSUC# 45324C)

Tel: (416) 365-3716 / Email: gazeff@foglers.com

Fax: (416) 864-9700

Lawyers for the Applicant

tab 3

Court File No.

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

THE HONOURABLE

)

WEDNESDAY, THE 6th

JUSTICE

)

DAY OF JULY, 2016

)

GOLD CANDLE LTD.

Applicant

-and-

GSR MINING CORPORATION and AJ PERRON GOLD CORP.

Respondents

**ORDER
(appointing Receiver)**

THIS APPLICATION made by the Applicant Gold Candle Ltd. for an Order pursuant to section 101 of the *Courts of Justice Act*, R.S.O. 1990, c. C.43, as amended (the "CJA") appointing A. Farber & Partners Inc. as receiver (in such capacity, the "Receiver") without security, of all of the assets, undertakings and properties of the Respondents GSR Mining Corporation and AJ Perron Gold Corp. (together, the "Debtors") acquired for, or used in relation to a business carried on by the Debtors, was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the affidavits of Michael Berns sworn April 4, 2016 and June 16, 2016 and the Exhibits thereto and the Pre-Filing Reports of A. Farber & Partners Inc. dated ●, 2016 and ●, 2016 and on hearing the submissions of counsel for Gold Candle, no one appearing for [NAME] although duly served as appears from the affidavit of service of [NAME] sworn [DATE] and on reading the consent of A. Farber & Partners Inc. to act as the Receiver,

SERVICE

1. THIS COURT ORDERS that the time for service of the Notice of Application and the Application 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 101 of the CJA, A. Farber & Partners Inc. is hereby appointed Receiver, without security, of all of the assets, undertakings and properties of the Debtors acquired for, or used in relation to a business carried on by the Debtors, including all proceeds thereof (the "Property").

RECEIVER'S POWERS

3. THIS COURT ORDERS that the Receiver is hereby empowered and authorized, but not obligated, to act at once in respect of the Property and, without in any way limiting the generality of the foregoing, the Receiver is hereby expressly empowered and authorized to do any of the following where the Receiver considers it necessary or desirable:

- (a) to take possession of and exercise control over the Property and any and all proceeds, receipts and disbursements arising out of or from the Property;
- (b) to receive, preserve, and protect the Property, or any part or parts thereof, including, but not limited to, the changing of locks and security codes, the relocating of Property to safeguard it, the engaging of independent security personnel, the taking of physical inventories and the placement of such insurance coverage as may be necessary or desirable;
- (c) 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;

- (d) to receive and collect all monies and accounts now owed or hereafter owing to the Debtors and to exercise all remedies of the Debtors in collecting such monies, including, without limitation, to enforce any security held by the Debtors;
- (e) to settle, extend or compromise any indebtedness owing to the Debtors;
- (f) 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 Debtors, for any purpose pursuant to this Order;
- (g) 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 Debtors, 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;
- (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 \$25,000, provided that the aggregate consideration for all such transactions does not exceed \$100,000; 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 Debtors;
- (m) to enter into agreements with any trustee in bankruptcy appointed in respect of the Debtors, including, without limiting the generality of the foregoing, the ability to enter into occupation agreements for any property owned or leased by the Debtors;
- (n) to exercise any shareholder, partnership, joint venture or other rights which the Debtors may have; and
- (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 Debtors, and without interference from any other Person.

DUTY TO PROVIDE ACCESS AND CO-OPERATION TO THE RECEIVER

4. THIS COURT ORDERS that (i) the Debtors, (ii) all of their respective 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.

5. 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 Debtors, 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 5 or in paragraph 6 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.

6. 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.

7. THIS COURT ORDERS that the Receiver shall provide each of the relevant landlords with notice of the Receiver's intention to remove any fixtures from any leased premises at least seven (7) days prior to the date of the intended removal. The relevant landlord shall be entitled to have a representative present in the leased premises to observe such removal and, if the landlord disputes the Receiver's entitlement to remove any such fixture under the provisions of the lease, such fixture shall remain on the premises and shall be dealt with as agreed between any applicable secured creditors, such landlord and the Receiver, or by further Order of this Court upon application by the Receiver on at least two (2) days notice to such landlord and any such secured creditors.

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 DEBTORS OR THE PROPERTY

9. THIS COURT ORDERS that no Proceeding against or in respect of the Debtors 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 Debtors 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 Debtors, 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 Debtors to carry on any business

which the Debtors are not lawfully entitled to carry on, (ii) exempt the Receiver or the Debtors 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 Debtors, 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 Debtors 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 Debtors 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 Receiver, and that the Receiver shall be entitled to the continued use of the Debtors' 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 Receiver in accordance with normal payment practices of the Debtors or such other practices as may be agreed upon by the supplier or service provider and the Receiver, 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 Debtors until such time as the Receiver, on the Debtor's behalf, 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 purchaser 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 Debtors, 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 unless otherwise ordered by the Court on the passing of accounts, and that the Receiver and counsel to the Receiver shall be entitled to and are hereby granted a charge (the "Receiver's Charge") on the Property, as security for such fees and disbursements, both before and after the making of this Order in respect of these proceedings, and that the Receiver's 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.

19. THIS COURT ORDERS that 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 Commercial List of the Ontario Superior Court of Justice.

20. 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 standard 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.

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 \$150,000 (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. This Court further orders that a Case Website shall be established in accordance with the Protocol with the following URL '<@>'.

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 Debtors' creditors or other interested parties at their respective addresses as last shown on the records of the Debtors 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 trustee in bankruptcy of the Debtors.

29. THIS COURT ORDERS that the Receiver and the Applicant are each authorized (but not required) to examine under oath John Perron and any other officer or director of the Respondents (each, an "Examinable Party") with respect to the Debtors or their Property or affairs.

30. THIS COURT ORDERS that in the event the Receiver or the Applicant serves a Notice of Examination in accordance with the *Rules of Civil Procedure*, R.S.O. 1990, Reg. 194 on an Examinable Party, such Examinable Party shall attend an examination under oath (an "Examination") at the date, time and location prescribed in the Notice of Examination, on seven (7) days' notice.

31. THIS COURT ORDERS that if an Examinable Party is required to attend an Examination then such Examinable Party shall bring to the Examination all books, records, correspondence or other information or documentation in its possession or control, and each of the parties conducting the Examination shall be permitted to take copies of same.

32. 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.

33. 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.

34. THIS COURT ORDERS that the Applicant shall have its costs of this application and the Receiver's administration of the Debtors' estates, as 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 Debtors' estates with such priority and at such time as this Court may determine.

35. 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.

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 of GSR Mining Corporation and AJ Perron Gold Corp. (together, the "Debtors") acquired for, or used in relation to a business carried on by the Debtors, including all proceeds thereof (collectively, the "Property") appointed by Order of the Ontario Superior Court of Justice (Commercial List) (the "Court") dated the 6th day of July, 2016 (the "Order") made in an action 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 [daily][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 _____, 20__.

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

Per: _____

Name:

Title:

Court File No.

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

THE HONOURABLE) ~~WEEKDAY~~ WEDNESDAY, THE # 6th
)
JUSTICE) DAY OF MONTH JULY, 20YR 2016
)

GOLD CANDLE LTD.

Applicant

-and-

GSR MINING CORPORATION and AJ PERRON GOLD CORP.

Respondents

~~PLAINTIFF~~

Plaintiff

~~-and-~~

~~DEFENDANT~~

Defendant

ORDER
(appointing Receiver)

THIS MOTION ~~APPLICATION~~ made by the Plaintiff Applicant Gold Candle Ltd. 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 ~~[RECEIVER'S NAME]~~ A. Farber & Partners Inc. as receiver ~~[and manager]~~ (in such capacityies, the "Receiver") without security, of all of the assets, undertakings and properties of the Respondents GSR Mining Corporation and AJ Perron Gold Corp. ~~[DEBTOR'S NAME]~~ (together, the "Debtors") acquired for, or used in relation to a

business carried on by the Debtors, was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the affidavits of ~~[NAME]~~ Michael Berns sworn April 4, 2016 and June 16, 2016~~[DATE]~~ and the Exhibits thereto and the Pre-Filing Reports of A. Farber & Partners Inc. dated ●, 2016 and ●, 2016 and on hearing the submissions of counsel for ~~[NAMES]~~ Gold Candle, no one appearing for [NAME] although duly served as appears from the affidavit of service of [NAME] sworn [DATE] and on reading the consent of A. Farber & Partners Inc. ~~[RECEIVER'S NAME]~~ to act as the Receiver,

SERVICE

1. THIS COURT ORDERS that the time for service of the Notice of ~~Motion~~ Application and the ~~Motion~~ Application is hereby abridged and validated so that this ~~motion~~ 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, A. Farber & Partners Inc. ~~[RECEIVER'S NAME]~~ is hereby appointed Receiver, without security, of all of the assets, undertakings and properties of the Debtors acquired for, or used in relation to a business carried on by the Debtors, including all proceeds thereof (the "Property").

RECEIVER'S POWERS

3. THIS COURT ORDERS that the Receiver is hereby empowered and authorized, but not obligated, to act at once in respect of the Property and, without in any way limiting the generality of the foregoing, the Receiver is hereby expressly empowered and authorized to do any of the following where the Receiver considers it necessary or desirable:

- (a) to take possession of and exercise control over the Property and any and all proceeds, receipts and disbursements arising out of or from the Property;

(b) to receive, preserve, and protect the Property, or any part or parts thereof, including, but not limited to, the changing of locks and security codes, the relocating of Property to safeguard it, the engaging of independent security personnel, the taking of physical inventories and the placement of such insurance coverage as may be necessary or desirable;

~~(e) to manage, operate, and carry on the business of the Debtor, including the powers to enter into any agreements, incur any obligations in the ordinary course of business, cease to carry on all or any part of the business, or cease to perform any contracts of the Debtor;~~

~~(d)~~(c) 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;

~~(e) to purchase or lease such machinery, equipment, inventories, supplies, premises or other assets to continue the business of the Debtor or any part or parts thereof;~~

~~(f)~~(d) to receive and collect all monies and accounts now owed or hereafter owing to the Debtors and to exercise all remedies of the Debtors in collecting such monies, including, without limitation, to enforce any security held by the Debtors;

~~(g)~~(e) to settle, extend or compromise any indebtedness owing to the Debtors;

~~(h)~~(f) 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 Debtors, for any purpose pursuant to this Order;

~~(i)~~(g) 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 Debtors, 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;

~~(j)~~ 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;

~~(k)~~(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 \$_____, ~~\$25,000,~~ provided that the aggregate consideration for all such transactions does not exceed \$_____; ~~\$100,000;~~ 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*, {for 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.

~~(l)~~(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;

~~(m)~~(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;

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

~~(o)~~(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 Debtors;

~~(p)~~(m) to enter into agreements with any trustee in bankruptcy appointed in respect of the Debtors, including, without limiting the generality of the foregoing, the ability to enter into occupation agreements for any property owned or leased by the Debtors;

~~(q)~~(n) to exercise any shareholder, partnership, joint venture or other rights which the Debtors may have; and

~~(r)~~(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 Debtors, and without interference from any other Person.

DUTY TO PROVIDE ACCESS AND CO-OPERATION TO THE RECEIVER

4. THIS COURT ORDERS that (i) the Debtors, (ii) all of ~~its~~their respective 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.

5. 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 Debtors, 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 5 or in paragraph 6 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.

6. 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.

7. THIS COURT ORDERS that the Receiver shall provide each of the relevant landlords with notice of the Receiver's intention to remove any fixtures from any leased premises at least

seven (7) days prior to the date of the intended removal. The relevant landlord shall be entitled to have a representative present in the leased premises to observe such removal and, if the landlord disputes the Receiver's entitlement to remove any such fixture under the provisions of the lease, such fixture shall remain on the premises and shall be dealt with as agreed between any applicable secured creditors, such landlord and the Receiver, or by further Order of this Court upon application by the Receiver on at least two (2) days notice to such landlord and any such secured creditors.

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 DEBTORS OR THE PROPERTY

9. THIS COURT ORDERS that no Proceeding against or in respect of the Debtors 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 Debtors 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 Debtors, 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 Debtors to carry on any business which the Debtors ~~is~~are not lawfully entitled to carry on, (ii) exempt the Receiver or the Debtors 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 Debtors, 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 Debtors 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 Debtors 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 Receiver, and that the Receiver shall be entitled to the continued use of the Debtors' 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 Receiver in accordance with normal payment practices of the Debtors or such other practices as may be agreed upon by the supplier or service provider and the Receiver, 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 Debtors until such time as the Receiver, on the Debtor's behalf, 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 purchaser 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 Debtors, 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 unless otherwise ordered by the Court on the passing of accounts, and that the Receiver and counsel to the Receiver shall be entitled to and are hereby granted a charge (the "Receiver's Charge") on the Property, as security for such fees and disbursements, both before and after the making of this Order in respect of these proceedings, and that the Receiver's 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.

19. THIS COURT ORDERS that 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 Commercial List of the Ontario Superior Court of Justice.

20. 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 standard 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.

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 \$_____ \$150,000 (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. This Court further orders that a Case Website shall be established in accordance with the Protocol with the following URL ‘<@>’.

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 Debtors 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 trustee in bankruptcy of the Debtors.

29. THIS COURT ORDERS AND DIRECTS that the Receiver and the Applicant are each authorized (but not required) to examine under oath John Perron and any other officer or director

of the Respondents (each, an "Examinable Party") with respect to the Debtors or their Property or affairs.

30. THIS COURT ORDERS that in the event the Receiver or the Applicant serves a Notice of Examination in accordance with the *Rules of Civil Procedure*, R.S.O. 1990, Reg. 194 on an Examinable Party, such Examinable Party shall attend an examination under oath (an "Examination") at the date, time and location prescribed in the Notice of Examination, on seven (7) days' notice.

31. THIS COURT ORDERS that if an Examinable Party is required to attend an Examination then such Examinable Party shall bring to the Examination all books, records, correspondence or other information or documentation in its possession or control, and each of the parties conducting the Examination shall be permitted to take copies of same.

~~29.~~32. 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.~~33. 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.~~34. THIS COURT ORDERS that the ~~Plaintiff~~Applicant shall have its costs of this ~~motion~~application and the Receiver's administration of the Debtors' estates, ~~up to and including entry and service of this Order,~~ as provided for by the terms of the Applicant's ~~Plaintiff's~~ security or, if not so provided by the Applicant's ~~Plaintiff's~~ security, then on a substantial indemnity basis

to be paid by the Receiver from the Debtor's' estates' with such priority and at such time as this Court may determine.

~~32:~~35. 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.

SCHEDULE "A"

RECEIVER CERTIFICATE

CERTIFICATE NO. _____

AMOUNT \$ _____

1. THIS IS TO CERTIFY that A. Farber & Partners Inc.~~[RECEIVER'S NAME]~~, the receiver (the "Receiver") of the assets, undertakings and properties ~~[DEBTOR'S NAME]~~ of GSR Mining Corporation and AJ Perron Gold Corp. (together, the "Debtors") -acquired for, or used in relation to a business carried on by the Debtors, including all proceeds thereof (collectively, the "Property") appointed by Order of the Ontario Superior Court of Justice (Commercial List) (the "Court") dated the 6th day of July, 2016 (the "Order") made in an action 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 [daily][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 _____, 20__.

A. FARBER & PARTNERS INC. ~~[RECEIVER'S NAME]~~, solely in its capacity
as Receiver of the Property, and not in its
personal capacity

Per: _____

Name:

Title:

GOLD CANDLE LTD.
Applicant

-and- GSR MINING CORPORATION and AJ PERRON GOLD CORP.
Respondents

Court File No. CV-16-00011351-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

PROCEEDING COMMENCED AT
TORONTO

**SUPPLEMENTARY APPLICATION RECORD
(Returnable July 6, 2016)**

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