

No. 09-A0014  
Whitehorse Registry

**SUPREME COURT OF YUKON**

**BETWEEN:**

**NORMAN ROSS**

**PLAINTIFF**

**AND:**

**ROSS MINING LIMITED, MACKENZIE PETROLEUMS LTD. and  
GOLDEN HILL VENTURES LIMITED PARTNERSHIP**

**DEFENDANTS**

**RECEIVER'S SIXTH REPORT TO COURT**

**NOVEMBER 9, 2011**



**ROSS MINING LIMITED  
RECEIVER'S SIXTH REPORT TO COURT**

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For the Period July 29, 2009 to November 8, 2011**

# ROSS MINING LIMITED RECEIVER'S SIXTH REPORT TO COURT

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## 1. INTRODUCTION

- 1.1 On June 9, 2009, PricewaterhouseCoopers Inc. ("**PwC**") was appointed as the Monitor of Ross Mining Limited (hereinafter referred to as the "**Company**") by the Supreme Court of Yukon (the "**Court**"). The purpose of the Monitorship was to allow the Company a limited period of time to finalize a re-financing, which was represented to be in the late stages of completion.
- 1.2 By mid-July, the re-financing had not materialized. In July 2009, Mr. Norma Ross ("**Mr. Ross**"), as a secured creditor of the Company, made an application for the appointment of PwC as the Receiver of the Company.
- 1.3 On July 29, 2009, the Court, under Action No. 09-A0014, Whitehorse Registry (the "**Receivership Proceeding**"), appointed PwC as Receiver of the Company (the "**Receiver**"). Details relating to the Company and the Receivership Proceeding are set out in the Statement of Claim filed in these proceedings.
- 1.4 Prior to the receivership, the Company operated a placer gold mine located approximately 80- kilometres south-east of Dawson City, Yukon Territory (the "**Mine**"). The Mine consists of 415 contiguous claims, various pieces of mining equipment, and numerous buildings comprising the mine site.
- 1.5 On October 21, 2009, Golden Hill Ventures Limited Partnership ("**GHVLP**"), a related party to the Company, filed a Petition with the Court, under Action No. 09-A0087, Whitehorse Registry, claiming a lien against the Mine (the "**Lien Action**").
- 1.6 In April 2010, the Plaintiff, Mr. Ross, made an application for the appointment of PwC as the Receiver-Manager of the Company. The purpose of the application was to expand the powers of the Receiver to allow for the operation of the Mine going forward.
- 1.7 On May 10, 2010, the Court, appointed PwC as Receiver-Manager of the Company. A copy of the Receiver-Manager Order is attached as Appendix A to the Receiver's Third Report to Court.
- 1.8 Throughout this report, the term "Receiver" is used to refer to either the Receiver or the Receiver-Manager.

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- 1.9 The Receiver has previously filed five reports with the Court, along with supplemental and amended reports for the Receiver's Second and Fourth Reports, respectively. The Receiver's last report to the Court was dated May 26, 2011.
- 1.10 This is the Receiver's Sixth Report to Court since its appointment on July 29, 2009. The purpose of this Report is to provide the Court with:
  - 1.10.1 An update on the activities of the Receiver from May 27, 2011 to date;
  - 1.10.2 The operating results of the Mine for the 2011 mining season;
  - 1.10.3 The Receiver's Interim Statement of Receipts and Disbursements to November 8, 2011; and
  - 1.10.4 A summary of the anticipated future actions of the Receiver.

## **2. ACTIVITIES OF THE RECEIVER**

- 2.1 Mine Attendance
  - 2.1.1 The Receiver attended the Mine on Tuesday, September 27, 2011 to meet with Adrian Hollis of Hollis Mining & Exploration Ltd. ("Hollis"), the Mining Inspector (as defined in Section 2.3 below), and observe the Mine and assets of the Company.
- 2.2 Security
  - 2.2.1 From mid-April to mid-October 2011, Hollis made regular visits to the Mine to conduct work pursuant to Placer Lease Agreements dated May 9, 2010 and May 25, 2011.
  - 2.2.2 Other than forest fires discussed in Section 2.2.3, no security issues were reported or noticed by the Receiver.

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## 2.2.3 Forest Fires

2.2.3.1 On May 31, 2011, the Receiver was notified by Hollis that a large forest fire was approaching the Mine from the north-east.

2.2.3.2 The forest fires eventually died out with no damage to the Company's assets.

## 2.2.4 Mine Access

2.2.4.1 Over the 2011 mining season, two parties contacted the Receiver for access to the Mine.

- Goldplex Resources Inc. ("**Goldplex**") is the holder of quartz mining claims adjacent to the Mine. Goldplex required surface access through the Mine to move its equipment to its claims.
- Gimlex Enterprises Ltd. ("**Gimlex**") is the holder of quartz mining claims under the Mine. Gimlex required surface access to carry out its prospecting activities.

2.2.4.2 The Receiver made arrangements with Hollis to grant Goldplex and Gimlex access to the Mine as necessary.

## 2.3 Mining Inspection

2.3.1 A mining inspector from the Dawson City office of the Yukon Department of Energy, Mines and Resources (the "**Mining Inspector**") visited the Mine and, on July 2, 2011, prepared a Placer Mining Inspection Report.

2.3.2 Although all conditions of the water and mining land use activities were found to be acceptable, a few minor issues were brought to the Receiver's attention.

2.3.3 The Receiver engaged a Dawson City company at a cost of \$5,300 to rectify the minor deficiencies with Hollis overseeing the work.

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- 2.3.4 On Tuesday, September 27, 2011, the Receiver attended the Mine with the Mining Inspector and Hollis to review the concerns of the Mining Inspector and ensure the deficiencies had been rectified.
- 2.3.5 The Mining Inspector indicated his satisfaction with the work completed to date and advised the Receiver that, after further work by Hollis, he would revisit the Mine and prepare an amended Placer Mining Inspection Report.
- 2.3.6 Although Hollis has advised the work requested by the Mining Inspector has been completed, to date, the Receiver has not received an amended report from the mining inspector.
- 2.3.7 The Receiver will continue to follow up with the Mining Inspector to ensure all deficiencies have been resolved.
- 2.4 The Lien Action
  - 2.4.1 As detailed in Section 2.3 of the Receiver's Fifth Report to Court, the Lien Action hearings were held in late August 2011. The Court has reserved its decision in the matter and has advised the Key Interested Parties, as defined in Paragraph 2.3.1 of the Receiver's Fifth Report to Court, a decision will take some time to render.
  - 2.4.2 Until the economic interests of the Key Interested Parties are resolved, the Receiver will continue to defer the marketing and sale activities of the Mine for all the reasons articulated in Section 3 of the Receiver's Second Report to Court.
- 2.5 Yukon Corporate Affairs ("YCA")
  - 2.5.1 Effective September 10, 2009, Mr. Jon Rudolph resigned as sole director of the Company.
  - 2.5.2 YCA advised the Receiver that the Company will be struck from the registry as it is not in compliance with Section 102 of the Yukon *Business Corporations Act*, RSY 2002, c.20, which requires there to be at least one director of a corporation.

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- 2.5.3 The Receiver has advised YCA of the ongoing Lien Action and that it cannot act as a director of the Company. In view of this, two extensions have been granted by YCA.
- 2.5.4 The current extension expires on December 31, 2011 and the Receiver understands YCA will not provide further extensions.
- 2.5.5 The Receiver understands that striking a company for failing to file an Annual Report is discretionary and not a legislative requirement. As such, if YCA will not extend the time for filing the required reports, the Receiver may need to apply to the Court to stay the authority of YCA to strike the Company from the registry until such time as the Lien Action is resolved and the required forms can be filed.

**3. 2011 MINING SEASON OPERATING RESULTS**

- 3.1 The Receiver entered into a Placer Lease Agreement with Hollis dated May 25, 2011 (the “**2011 Placer Agreement**”) which permitted Hollis to operate the Mine for the 2011 mining season (the “**Operations**”).

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- 3.2 The net cash proceeds from the Operations to the Receiver totaled \$412,386 from gold sales and \$40,594 from equipment rental. **Table 1** below provides a summary of the production results of the 2011 mining season along with a comparison from the 2010 mining season.

Mining Season Production Results			Table 1	
Gold Production	2011	2010		
Approximate Total Cubic Yards of Material Processed	22,500	40,000		
Total Troy Ounces of Raw Gold Produced	738	966		
Average Raw Gold Grade (Troy Ounces per Cubic Yard)	0.033	0.024		
Approximate Troy Ounce Production per Hour of Sluicing	2.459	2.010		
Average Price of Gold (\$/oz) During Season (CAD)	\$ 1,741	\$ 1,297		
Net Receipts to the Receiver on Gold Sales (CAD)	\$ 412,386	\$ 397,508		
Equipment Rental				
Unit Description	Unit No.	Rate		
International 4700	R151	\$250 / month		
International 4600	R154	\$250 / month		
Ford L8000 Fuel Truck	R203	\$250 / month		
Caterpillar D9L	R502	\$95 / hour		
Caterpillar D8L	R503	\$80 / hour		
Hitachi EX1100	R701	\$100 / hour		
Terex 3309 Rock Truck	R902	\$60 / hour		
Terex 3309 Rock Truck	R903	\$60 / hour		
Net Equipment Rental Receipts to the Receiver (CAD)	\$ 40,594	\$ 21,519		

- 3.3 Hollis' operations consisted of a two person crew and a few pieces of equipment owned by Hollis.
- 3.4 Hollis also used some of the Company's equipment for which Hollis paid rent to the Receiver. Rental income, net of taxes, totaled \$17,823. Hollis also used the gold room buildings to refine the raw gold.
- 3.5 Hollis did not use the Mine's camp, sluicing plant, or other facilities.



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- 3.6 The Receiver entered into an agreement to rent the Company's Caterpillar D9L bulldozer to a local Dawson City placer miner for the 2011 mining season. Rental income, net of taxes, totaled \$22,771.
- 3.7 The Receiver engaged an agent from Dawson City to:
  - 3.7.1 Attend the Mine from time to time to monitor the Operations;
  - 3.7.2 Be present for all gold clean-ups and take the Receiver's share of the raw gold for sale;
  - 3.7.3 Provide the Receiver with hour meter reading from the Company's equipment rented to third parties; and
  - 3.7.4 Carry out other general activities as required by the Receiver.
- 3.8 The Hollis Royalty
  - 3.8.1 The Company entered into a Placer Agreement with Hollis dated August 17, 2002 (the "**2002 Placer Agreement**") for a ten-year period under which Hollis leased certain placer mining claims from the Company. The 2002 Placer Agreement is a completely separate agreement from the 2011 Placer Agreement between the Receiver and Hollis.
  - 3.8.2 Pursuant to the 2002 Placer Agreement, Hollis is required to deliver to the Company 7.5% of its raw gold production (the "**Hollis Royalty**") in any given year.
  - 3.8.3 After Hollis had completed its work under the 2011 Placer Agreement, it was able to carry out production on its leased claims pursuant to the 2002 Placer Agreement and, on September 30, 2011, Hollis delivered the Hollis Royalty from its 2011 mining season production to the Receiver's Agent in Dawson City.
  - 3.8.4 Gross proceeds of \$12,287 (\$11,953 net of commissions, refining costs, and applicable taxes) were paid to the Receiver from the sale of gold received from the Hollis Royalty.

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## 4. RECEIVER'S INTERIM STATEMENT OF RECEIPTS AND DISBURSEMENTS

- 4.1 The Receiver's Interim Statement of Receipts and Disbursements for the Period July 29, 2009 to November 8, 2011 is attached as **Appendix A**.
- 4.2 The Receiver does not anticipate any major expenditure over the winter months that would deplete the surplus cash available.
- 4.3 The Receiver's trust account earns interest at a rate of 1% (Prime less 2%). The majority of the funds on hand were derived from gold sale receipts and other revenues relating to the 2011 mining season.
- 4.4 The Receiver has looked into alternative forms of deposit (e.g. term deposits) for the funds on hand; however, the current rate of interest earned in the Receiver's trust account is competitive.

## 5. RECEIVER'S FEES AND FEES OF THE RECEIVER'S LEGAL COUNSEL

- 5.1 **Table 2** below summarizes the invoices of the Receiver for the period July 29, 2009 to October 15, 2011 that have been paid. Invoices for the period July 29, 2009 to April 15, 2011 are detailed in the Receiver's previous reports.

Receiver's Fees & Disbursements Paid For the Period July 29, 2009 to October 15, 2011					Table 2
Period Covered	Fees (\$)	Disbursements (\$)	Subtotal (\$)	GST / HST (\$)	Total (\$)
29-Jul-09 to 15-Apr-11	291,643	22,438	314,081	23,805	337,886
16-Apr-11 to 15-Jun-11	17,241	1,171	18,412	2,209	20,622
16-Jun-11 to 15-Jul-11	3,395	170	3,565	428	3,993
16-Jul-11 to 15-Aug-11	2,654	133	2,787	334	3,121
16-Aug-11 to 15-Oct-11	11,673	584	12,256	1,471	13,727
<b>Total</b>	<b>326,606</b>	<b>24,495</b>	<b>351,101</b>	<b>28,248</b>	<b>379,348</b>

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- 5.2 **Table 3** below summarizes the invoices of the Receiver's legal counsel, Borden Ladner Gervais LLP, for the period July 6, 2009 to September 30, 2011 that have been paid. Invoices for the period July 6, 2009 to April 30, 2011 are detailed in the Receiver's previous reports.

BLG Fees & Disbursements Paid For the Period July 6, 2009 to September 30, 2011						Table 3
Period Covered	Fees (\$)	Disbursements (\$)	PST (\$)	GST / HST (\$)	Taxes (\$)	Total (\$)
06-Jul-09 to 30-Apr-11	95,004	2,676	4,683	5,613	11,520	109,200
01-May-11 to 31-May-11	2,650	410	-	367	367	3,428
01-Jun-11 to 30-Jun-11	2,150	-	-	258	258	2,408
01-Aug-11 to 31-Aug-11	2,215	-	-	266	266	2,481
01-Sep-11 to 30-Sep-11	1,325	-	-	159	159	1,484
<b>Total</b>	<b>103,344</b>	<b>3,086</b>	<b>4,683</b>	<b>6,663</b>	<b>12,570</b>	<b>119,000</b>

- 5.3 At the next convenient court application in these proceedings, the Receiver will seek the Court's approval of its fees and disbursements and those of its legal counsel.

## 6. FUTURE ACTIONS OF THE RECEIVER

- 6.1 The Receiver will continue to defer the marketing and sale activities of the Mine as discussed in Section 2.4 above.
- 6.2 The Receiver proposes to further report to the Court once the priority issues between the Key Interested Parties have been resolved and the Receiver has obtained the input and feedback from the relevant stakeholders.
- 6.3 The Receiver will continue to follow up with the Mining Inspector to ensure all deficiencies have been resolved.

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This report is respectfully submitted this 9<sup>th</sup> day of November 2011.

**PricewaterhouseCoopers Inc.**

**In its capacity as Court Appointed Receiver-Manager of  
Ross Mining Limited  
and not in its personal capacity**



**Richard D. Pallen  
Senior Vice President**



**Lucas J. Matsuda  
Manager**

## **APPENDIX A**

### **Receiver's Interim Statement of Receipts and Disbursements For the Period July 29, 2009 to November 8, 2011**

**Court No. 09-A0014**  
**Whitehorse Registry**  
**Estate No. 11-252793**

**IN THE MATTER OF THE RECEIVERSHIP OF  
ROSS MINING LIMITED**

**PRICEWATERHOUSECOOPERS INC.**  
**Court-Appointed Receiver-Manager**

**Receiver's Interim Statement of Receipts and Disbursements**  
**For the Period July 29, 2009 to November 8, 2011**

	<b>29-Jul-09 to 20-May-11</b>	<b>21-May-11 to 8-Nov-11</b>	<b>Total</b>
	<b>\$</b>		<b>\$</b>
<b>Receipts</b>			
Cash in Bank	1,793.95	-	1,793.95
Accounts Receivable - Hollis Royalty	31,032.28	12,286.90	43,319.18
Transfer from Monitor	144,051.09	-	144,051.09
Gold Sales	485,455.92	413,703.92	899,159.84
Equipment Rentals	21,518.56	40,594.10	62,112.66
Receiver's Borrowings	80,000.00	-	80,000.00
Refund - Insurance & Cancelled Order	1,571.13	-	1,571.13
GST Collected	1,075.92	2,029.70	3,105.62
GST Refund	40,288.87	-	40,288.87
Interest Earned	1,079.53	185.87	1,265.40
<b>Total Receipts</b>	<b>807,867.25</b>	<b>468,800.49</b>	<b>1,276,667.74</b>
<b>Disbursements</b>			
Payroll - Pre-Receivership	9,376.51	-	9,376.51
Payroll - Post-Receivership	26,172.96	-	26,172.96
Payroll Deductions	14,695.65	-	14,695.65
WCB - Post-Receivership	2,067.37	-	2,067.37
Contract Labour	4,279.75	2,430.00	6,709.75
Outside Consulting	8,784.89	-	8,784.89
Utilities	4,708.69	141.60	4,850.29
Advertising	8,752.12	-	8,752.12
Property Taxes	5,810.74	-	5,810.74
Insurance	35,071.97	1,147.00	36,218.97
Operating Expense	68,356.84	8,957.45	77,314.29
Storage	455.58	65.50	521.08
Filing Fees - Official Receiver	70.00	-	70.00
Filing Fees - Mineral Claims	416.00	-	416.00
Repayment of Receiver's Certificate - Principal	80,000.00	-	80,000.00
Repayment of Receiver's Certificate - Interest	5,435.76	-	5,435.76
Deemed Trust Claim Paid to CRA	77,512.75	-	77,512.75
Monitor's Fees & Disbursements	15,409.50	-	15,409.50
Receiver's Fees	291,643.00	34,962.50	326,605.50
Legal Fees & Disbursements	102,363.14	8,750.36	111,113.50
Bank Charges	122.00	112.00	234.00
GST Paid	16,596.73	272.91	16,869.64
HST Paid	17,544.74	5,678.29	23,223.03
<b>Total Disbursements</b>	<b>795,646.69</b>	<b>62,517.61</b>	<b>858,164.30</b>
<b>Excess of Receipts Over Disbursements</b>	<b>12,220.56</b>	<b>406,282.88</b>	<b>418,503.44</b>

**Represented by**

Cash in Bank 418,503.44