

No. 09-A0014
Whitehorse Registry

IN THE SUPREME COURT OF THE YUKON TERRITORY

**IN THE MATTER OF THE RECEIVERSHIP OF
ROSS MINING LIMITED
(Referred to as “Ross Mining” or the “Company”)**

RECEIVER’S SECOND REPORT TO COURT

APRIL 9, 2010

**ROSS MINING LIMITED
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1 INTRODUCTION

- 1.1 On June 9, 2009, PricewaterhouseCoopers Inc. ("PwC") was appointed as the Monitor of Ross Mining by the Supreme Court of Yukon Territory. 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. On July 20, 2009, Norman Ross as a secured creditor of the Company, made an application for the appointment of PwC as the Receiver of the Company.
- 1.3 By Order of Mr. Justice Veale pronounced on July 29, 2009 (the "Order") in the Supreme Court of Yukon, Action No. 09-A0014, Whitehorse Registry (the "Receivership Proceeding"), PwC was appointed 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, Ross Mining operated a placer gold mine located approximately 80 kilometres south-east of Dawson City in the Yukon (the "Mine"). The Mine consists of 415 contiguous claims, various pieces of mining equipment, and numerous buildings comprising the mine site.
- 1.5 The Receiver's last Report to Court was dated November 27, 2009.
- 1.6 This is the Receiver's Second Report to Court since its appointment on July 29, 2009. The purpose of this Report is to inform the Court of the following:
 - 1.6.1 A summary of the activities of the Receiver from December 2009 to-date;
 - 1.6.2 The recommendation of the Receiver to re-start operations for the 2010 mining season; and
 - 1.6.3 The Receiver's proposed course of action for 2010 and beyond.

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2 ACTIVITIES OF THE RECEIVER

- 2.1 Since November 2009, the mine site has been covered with snow and there has been no road access because the government did not plough the road; therefore, there have been minimal activities on the mine site.
- 2.2 The Receiver has been engaged in the following activities.
- 2.3 Security
 - 2.3.1 The Receiver has maintained security at the mine site. The mining camp and site have been covered with snow with no road access; therefore, the Receiver hired a former employee who drove out once a month by snowmobile to conduct a site visit. This level of security is consistent with that of prior years with previous owners.
 - 2.3.2 To date, no security issues have been reported to the Receiver.
 - 2.3.3 The Receiver understands that the road will be ploughed and that the mine site will be snow free shortly; therefore, more comprehensive security measures will be required.
- 2.4 Mining Land Use Permit
 - 2.4.1 The Mining Land Use Permit (the "Permit") expired on March 14, 2010; therefore, the Receiver began the process to apply for a new Permit beginning in late November 2009.
 - 2.4.2 The Receiver hired NEW ERA Engineering Corporation ("New Era"), who is based in Whitehorse as the Receiver's agent, to apply for and respond to government questions regarding the Permit application process.
 - 2.4.3 Based on the feedback to date from government, it is anticipated that a new Permit will be issued in May 2010.

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- 2.4.4 Operations will not resume on the mine site until after a new Permit has been issued.
- 2.4.5 The Receiver and its agent will continue to work with government and respond to their questions to ensure that a new Permit is issued.
- 2.5 Receiver's Certificate
 - 2.5.1 The Court Order appointing the Receiver contained standard powers for the Receiver to issue Receiver's Certificates as security for borrowings.
 - 2.5.2 The Receiver issued a Receiver's Certificate for \$80,000 with 10% interest to Norman Ross, the Plaintiff in the Receivership Proceeding.
 - 2.5.3 The status and the cash flow of the re-start of operations will determine if and when further Receiver's Certificates are required to be issued.

3 SALES & MARKETING

- 3.1 As reported in the Receiver's First Report to Court, the sales process was suspended in early October 2009 for the following reasons:
 - 3.1.1 The timing of the sales process was getting close to the onset winter season, which limited the due diligence period available to potential purchasers;
 - 3.1.2 The general economic climate for financing was not favourable in 2009;
 - 3.1.3 The inability of any new owner to begin operations until at least spring 2010;
 - 3.1.4 To allow more time to attract greater interest from potential purchasers; and,

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- 3.1.5 To allow time for the determination of the priority issues between the key interested stakeholders (i.e. Golden Hill Ventures ("GHV"), Norman Ross, and MacKenzie Petroleum Ltd. ("MacKenzie")).
- 3.2 At this time, one of the main issues for the suspension of the sales process has still not been resolved (i.e. the determination of priority issues between key interested stakeholders).
- 3.3 In addition, there is a lack of drilling results to provide an indication of the quality of future reserves at the mine. This was an issue expressed by potential purchasers during the sales process.
- 3.4 The determination of priority between key interested stakeholders, the secured creditor (Norman Ross) and the two lien claimants (GHV and MacKenzie), is being pursued by the parties directly.
- 3.5 The Receiver has not taken an active role in this determination and will wait for the decision by the Court, the timing of which is unclear.
- 3.6 Given this continued uncertainty, the Receiver does not anticipate beginning the sales process until at least December 2010.

4 RESTART OF OPERATIONS

- 4.1 Operations at the mine site were suspended on July 14, 2009 by Jon Rudolph.
- 4.2 Norman Ross, the Plaintiff in the Receivership Proceeding, recommended to the Receiver that the Receiver explore the option of having a third party lease the mine operations for the 2010 mining season, given that the determination of priority between key interested stakeholders is still being resolved. Norman Ross, through a Receiver's Certificate, is funding the Receivership because there is currently no cash flow from operations.

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- 4.3 Given the delays around the resolution of the priority issues between key interested stakeholders, the Receiver agrees that the re-start of operations is in the best interest of the all the stakeholders. A re-start of operations will achieve the following results:
- 4.3.1 Cash Flow – it is anticipated that the re-start of operations will generate positive cash flows for the Estate to be used by the Receiver to fund the receivership.
 - 4.3.2 Maintenance of the machinery on site – the majority of the Ross Mining machinery remains on the mine site. During the re-start of the operations, the Ross Mining machinery will be maintained and utilized which will assist with the sales process as it will demonstrate that the Ross Mining machinery is in good working order and is sufficient for operations at the mine site.
 - 4.3.3 Security of the camp – given that there soon will be access to the mine site by the public, the Receiver would be required to have personnel on site even if the operations were not to re-start. The mining personnel on site for the re-start can also serve as security.
 - 4.3.4 Assists with the due diligence process – the re-start of operations will provide additional operational and financial information which should demonstrate that the mine can generate positive cash flow.
 - 4.3.5 Exploration of future reserves – as part of the re-start of operations, drilling core samples will be conducted for an indication of future reserves. This should make the mine more attractive to potential purchasers.
- 4.4 The Receiver believes that leasing the operation to a third party familiar with placer mining operations is the best approach to achieve the foregoing objectives.
- 4.5 The Receiver proposes that a lease agreement be signed between the Receiver and a local placer mine operator.

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- 4.6 Adrian Hollis already operates a placer mine operation on claims owned by Ross Mining through a royalty agreement with Ross Mining and would be a suitable lessee.
- 4.7 The Receiver has received, on a confidential basis, a form of a proposed placer lease agreement. The Receiver has reviewed the terms and conditions of that proposed agreement and believes that the objectives of the re-start of operations can be achieved through it.
- 4.8 The term of the placer lease agreement will be for the period April 2010 to October 2010.

5 RECEIVER / MANAGER

- 5.1 The Receivership Proceeding on July 29, 2009, appointed PwC as Receiver only. Therefore, the Receiver has no ability to operate or lease the Mine.
- 5.2 The Receiver understands that Norman Ross will put a motion forward which will seek to appoint the Receiver as Receiver / Manager over the Ross Mining assets, which will allow the Receiver / Manager to re-start and / or lease operations at the Mine.
- 5.3 The Receiver accepts this additional role if approved by the Court.

6 RECEIPTS AND DISBURSEMENTS

- 6.1 The Receiver has prepared a Statement of Receipts and Disbursements for the period July 29, 2009 to March 19, 2010, which is attached as Appendix A.
- 6.2 As set out in Appendix A, cash receipts have totalled approximately \$350,000 and cash disbursements have totalled approximately \$298,000, resulting in an excess receipts over disbursements of approximately \$52,000.

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- 6.3 There is significant uncertainty which currently exists related to the future direction of the receivership and the ultimate timing of a future sales process. Accordingly, it is difficult for the Receiver to prepare a meaningful forecast of the projected future costs. It is possible that further funding will be required but the timing and extent is unknown at this time.

7 FUTURE ACTIONS OF THE RECEIVER

- 7.1 The Receiver proposes to further report to the Court once the priority issues between the key interested stakeholders have been resolved and the Receiver has obtained the input and feedback from the relevant stakeholders.
- 7.2 Continue to work with New Era to ensure that the Mining Land Use Permit is issued by government prior to commencement of mine activities on site.
- 7.3 If the Receiver / Manager motion is approved, the Receiver will proceed with implementing the placer lease agreement and managing the lessee as per the agreement.

This report is respectfully submitted this 9th day of April 2010.

PricewaterhouseCoopers Inc.
In its capacity as Court-Appointed Receiver of
Ross Mining Limited,
and not in its personal capacity



Michael J. Vermette
Senior Vice President



Michael D. Armstrong
Vice President

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APPENDIX A

**Receiver's Statement of Receipts and Disbursements from
July 29, 2009 to March 19, 2010**

PricewaterhouseCoopers Inc.
Court-Appointed Receiver of Ross Mining Limited

Receiver's Interim Statement of Receipts and Disbursements
For the Period July 29, 2009 to March 19, 2010

Receipts	\$
Cash in Bank	1,793.95
Transfer from Monitor	144,045.05
Gold Sales	85,966.14
Receiver's Borrowings	80,000.00
Refund - Insurance & Cancelled Order	1,571.13
GST Refund	35,978.29
Interest Earned	114.75
Total Receipts	349,469.31
Disbursements	
Payroll - Pre-Receivership	9,376.51
Payroll - Post-Receivership	26,172.96
Payroll Deductions	14,695.65
WCB - Post-Receivership	2,067.37
Contract Labour	1,240.00
Outside Consulting	6,694.89
Utilities	4,338.19
Advertising	8,444.40
Property Taxes	2,084.83
Insurance	10,565.97
Operating Expense	33,663.54
Filing Fees - Official Receiver	70.00
Filing Fees - Mineral Claims	416.00
Monitor's Fees	15,409.50
Receiver's Fees	110,957.50
Legal Fees & Disbursements	40,328.11
Bank Charges	10.00
GST Paid	10,956.17
Total Disbursements	297,491.59
Excess of Receipts over Disbursements	51,977.72
(Represented by cash in bank)	