

No. 09-A0014  
Whitehorse Registry

**SUPREME COURT OF YUKON**

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

**RECEIVER’S SUPPLEMENTAL REPORT  
TO THE SECOND REPORT TO COURT  
(Prepared for the May 10, 2010 Court Hearing)**

**MAY 6, 2010**

**ROSS MINING LIMITED  
RECEIVER'S SUPPLEMENTAL REPORT  
TO THE SECOND REPORT TO COURT**

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**TABLE OF CONTENTS**

<b>1</b>	<b>INTRODUCTION.....</b>	<b>1</b>
<b>2</b>	<b>MINING LAND USE PERMIT.....</b>	<b>1</b>
<b>3</b>	<b>DECISION TO OPERATE FOR THE COMING YEAR.....</b>	<b>2</b>
<b>4</b>	<b>USE OF THE ROSS MINING EQUIPMENT.....</b>	<b>3</b>
<b>5</b>	<b>THE EXTRACTION OF ORE.....</b>	<b>4</b>
<b>6</b>	<b>COSTS TO BE DEFRAID BY THE OPERATIONS.....</b>	<b>4</b>

**ROSS MINING LIMITED  
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**1 INTRODUCTION**

- 1.1 The Receiver's Second Report to Court in these proceedings was dated April 9, 2010 (the "Receiver's Second Report") and was filed for the purpose of informing the Court in advance of the May 10, 2010 Court application.
- 1.2 This Report to Court is supplemental to the Receiver's Second Report and should be read in conjunction therewith. This supplemental report is prepared for the sole purpose of clarifying certain aspects of the content of Affidavit #4 of Jon Rudolph ("Rudolph") dated April 30, 2010 (the "Rudolph Affidavit"), which has been filed in these proceedings.

**2 MINING LAND USE PERMIT**

- 2.1 The Rudolph Affidavit expresses concern that the Receiver allowed the Mining Land Use Permit (the "Permit") to expire. The Rudolph Affidavit suggests that this Permit expiry prevented Mr. Hollis from mining this season, thereby depriving Ross Mining of the associated royalties. This is incorrect for the following reasons:
  - 2.1.1 As reported in its Second Report, the Receiver applied in November 2009 for a renewal of the Permit, which was due to expire in March 2010, a time period that the Mine would be dormant. The Receiver had previously been advised that it should allow 5 to 6 months for the Permit to be renewed. Since the Permit was not expected to be required prior to June 2010, the timing of the renewal application in November was appropriate. The Receiver is now advised that the renewed permit is expected to be issued later this month;
  - 2.1.2 Mr. Hollis has an ongoing placer lease agreement with Ross Mining, which allows him to mine certain portions of the Mine site. Mr. Hollis has been operating under this lease agreement for several years and he maintains his own mining land use permit for this purpose. Accordingly, Mr. Hollis' ability to carry out work under his placer lease agreement with Ross Mining is entirely unaffected by the expiry of the Permit; and

**ROSS MINING LIMITED  
RECEIVER'S SUPPLEMENTAL REPORT  
TO THE SECOND REPORT TO COURT**

**MAY 6, 2010**

2.1.3 Mining operations at the Mine site traditionally cannot begin prior to early June given weather conditions. Mr. Hollis has advised the Receiver that he has no intention of beginning the 2010 mining season prior to that time frame. As a result, there have been no activities subject to the royalties that would have otherwise occurred since the expiry of the Permit; and therefore, no revenues have been lost that could have otherwise been earned by Ross Mining.

**3 DECISION TO OPERATE FOR THE COMING YEAR**

- 3.1 As set out in the Second Report, Mr. Norman Ross recommended to the Receiver that it explore the option of having a third party lease the Mine operations for the 2010 mining season. The Receiver has reviewed the recommendation and concluded that such an approach was reasonable for the specific reasons set out in the Second Report. Mr. Ross has been funding the ongoing costs of the receivership and one effect of a mine operation would be to defray some of the costs of the receivership.
- 3.2 The Rudolph Affidavit suggests that the Receiver has done far more than it actually has in terms of finalizing an agreement with Mr. Hollis for the operation of the Mine. To-date, the Receiver has only received a form of a proposed placer lease agreement that has been drafted by Mr. Ross's counsel. While the Receiver is of the view that the proposed terms and conditions are reasonable, material aspects of the agreement (e.g. royalty rates) have not yet been negotiated. Clearly, until the amount of the economic benefits of the agreement is determined, the Receiver is not in a position to assess the net benefit of the arrangement. To-date, the only steps taken by the Receiver have been to confirm to Mr. Ross that, the Receiver supports the arrangement in principle.

**ROSS MINING LIMITED  
RECEIVER'S SUPPLEMENTAL REPORT  
TO THE SECOND REPORT TO COURT**

**MAY 6, 2010**

- 3.3 The Receiver did not consider it appropriate to begin the detailed negotiations of the economics of the lease arrangement until such time as the Court grants it the authority to operate the Mine or enter into a lease agreement with respect to it. Furthermore, it seems unlikely that Mr. Hollis would be inclined to invest meaningful time negotiating with the Receiver when it is not empowered to conclude any reasonable arrangements. Accordingly, should the Order as sought by Mr. Ross for the appointment of the Receiver Manager be granted, the Receiver will need to negotiate the arrangements with Mr. Hollis.

**4 USE OF THE ROSS MINING EQUIPMENT**

- 4.1 The Rudolph Affidavit suggests that using the Ross Mining machinery and processing equipment will only serve to depreciate those assets by causing wear and tear, thereby reducing the value. While the Receiver agrees with this general statement, the following is noted:
- 4.1.1 The equipment is currently in extremely poor condition. If any of it is used by a future operator, then it will need to be repaired prior to its use, which arguably would enhance the value if the repair were done by the operator. If the Receiver was required to effect the repairs, the Receiver would have to be satisfied that it made economic sense to do so;
- 4.1.2 Given the condition of the equipment, it is unlikely that Mr. Hollis will actually use much or any of the equipment, as he has surplus equipment that he currently owns; and
- 4.1.3 Regardless of the extent to which the equipment is used by the operator, as long as the payments are commensurate with the diminution of value, if any, then the arrangement will be reasonable.

**ROSS MINING LIMITED  
RECEIVER'S SUPPLEMENTAL REPORT  
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**MAY 6, 2010**

**5 THE EXTRACTION OF ORE**

5.1 The Rudolph Affidavit states that permitting the extraction of ore from the Mine will reduce the available ore going forward, thereby reducing the value of the Mine. While the Receiver agrees with the general statement, the following is noted:

5.1.1 The Receiver understands that the Mine has future ore reserves in excess of 25 years. Accordingly, the value of the ore removed during 2010 will reduce the mine life by at most 1 year. The present value of the reduced value, after taking into account the time value of 25 plus years, is likely to be nominal; and

5.1.2 The statement does not take into account the cash proceeds that will be realized from the royalties earned from the operator this summer. If the Receiver entered into a lease of the Mine, the Receiver would only do so if a particular arrangement made overall economic sense.

**6 COSTS TO BE DEFRAYED BY THE OPERATIONS**

6.1 Mr. Ross approached the Receiver to inquire of the Receiver's preparedness to consider operating the Mine for the 2010 season, in part to defray the costs of the receivership. During the winter season, the cost is less significant since access is difficult due to the weather conditions. As a result, periodic site inspections were determined to be adequate. During the summer season, however, there is easier access to the Mine site and therefore, a greater likelihood that people might access the site.

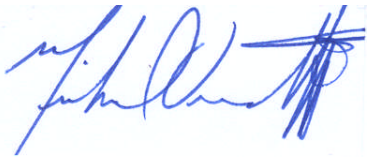
**ROSS MINING LIMITED  
RECEIVER'S SUPPLEMENTAL REPORT  
TO THE SECOND REPORT TO COURT**

**MAY 6, 2010**

- 6.2 The Receiver has understood from the beginning of this administration that during the summer season, on-site personnel are required to ensure that the camp and mine site are protected. The Receiver has not fully assessed the requirements for on-site security during the summer months if the Mine is not operated; however, in his Affidavit #2, Mr. Rudolph stated that 2 people would be required on-site to properly secure the site in the event operations were shut-down. Based on this, the Receiver estimates that the total costs per month to secure the site with on-site personnel and reasonable costs related to this would be in the range of \$15,000 per month. If the Mine is operated, then virtually all of these costs would be absorbed by the operator.
- 6.3 The Receiver noted that it has borrowed the sum of \$80,000 from Norman Ross to fund the Receivership. This loan is secured by a Receiver's Certificate. As set out in the Statement of Receipts and Disbursements contained in Appendix A of the Receiver's Second Report, the Receiver holds approximately \$52,000 of this loan on hand as at March 19, 2010 to fund the ongoing costs of the Receivership.

This report is respectfully submitted this 6<sup>th</sup> day of May 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