

ONTARIO
SUPERIOR COURT OF JUSTICE
[COMMERCIAL LIST]

THE HONOURABLE MR

)

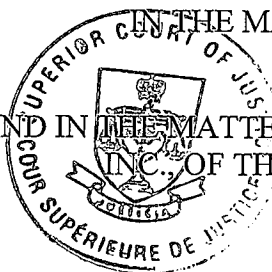
FRIDAY, THE 15th

JUSTICE NEWBOLD

)

DAY OF MARCH, 2013

IN THE MATTER OF THE *BANKRUPTCY AND INSOLVENCY ACT*,
R.S.C. 1985, c. B-3, AS AMENDED
AND IN THE MATTER OF THE NOTICE OF INTENTION OF STARFIELD RESOURCES
INC. OF THE CITY OF TORONTO IN THE PROVINCE OF ONTARIO



~~INITIAL ORDER~~

HN

THIS APPLICATION, made by Starfield Resources Inc. (the “Debtor”) pursuant to, *inter alia*, sections 64.1 and 64.2 of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the “BIA”), was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the affidavit of Philip S. Martin sworn March 8, 2013 and the exhibits thereto, the First Report of PricewaterhouseCoopers Inc., in its capacity as Proposal Trustee (the “Proposal Trustee”) dated March 8, 2013 and the appendices thereto (the “First Report”), and on hearing the submissions of counsel for the Debtor, the Proposal Trustee and the directors of the Debtor, no one appearing for any other party although duly served as appears from the affidavit of service of Tasha Boyd sworn March 8, 2013, and on being advised that there are no secured creditors of the Debtor:

SERVICE

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

APPROVAL OF SALES PROCESS

2. **THIS COURT ORDERS** that the Sale Process, as set out and defined in the First Report, be and is hereby approved and that the Debtor and the Proposal Trustee are hereby authorized and empowered take such steps as are necessary or desirable to carry out the Sale Process, provided that any definitive agreement executed by the Debtor in respect of the sale of all or any part of the Property (as defined herein) shall require the further approval of this Court.

EXTENSION OF STAY PERIOD

3. **THIS COURT ORDERS** that, pursuant to subsection 50.4(9) of the BIA, the time within which a proposal must be filed with the Official Receiver under section 62(1) of the BIA be and is hereby extended to April 26, 2013.

DIRECTORS' AND OFFICERS' INDEMNIFICATION AND CHARGE

4. **THIS COURT ORDERS** that the Debtor shall indemnify its directors and officers against obligations and liabilities that they may incur as directors or officers of the Debtor from and after the filing of the Debtor's notice of intention under section 50.4 of the BIA, except to the extent that, with respect to any officer or director, the obligation or liability was incurred as a result of the director's or officer's gross negligence or wilful misconduct.

5. **THIS COURT ORDERS** that the directors and officers of the Debtor shall be entitled to the benefit of and are hereby granted a charge (the "Directors' Charge") on all of the Debtor's current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate including all proceed thereof (the "Property"), which charge shall not exceed an aggregate amount of \$100,000, as security for the indemnity provided in paragraph 4 of this Order. The Directors' Charge shall have the priority set out in paragraphs 11 and 13 herein.

6. **THIS COURT ORDERS** that, notwithstanding any language in any applicable insurance policy to the contrary, (a) no insurer shall be entitled to be subrogated to or claim the benefit of the Directors' Charge, and (b) the Debtor's directors and officers shall only be entitled to the benefit of the Directors' Charge to the extent that they do not have coverage under any

directors' and officers' insurance policy, or to the extent that such coverage is insufficient to pay amounts indemnified in accordance with paragraph 4 of this Order.

ADMINISTRATION CHARGE

7. **THIS COURT ORDERS** that the Proposal Trustee, counsel to the Proposal Trustee, counsel to the Debtor and counsel to the directors of the Debtor shall be paid their reasonable fees and disbursements, in each case at their standard rates and charges, by the Debtor as part of the costs of these proceedings. The Debtor is hereby authorized and directed to pay the accounts of the Proposal Trustee, counsel for the Proposal Trustee, counsel for the Debtor and counsel for the directors of the Debtor as such accounts are rendered and, in addition, the Debtor is hereby authorized to pay to the Proposal Trustee, counsel to the Proposal Trustee, counsel to the Debtor and counsel to the directors of the Debtor, retainers in the amounts of \$50,000, \$15,000, \$25,000, and \$20,000, respectively, to be held by them as security for payment of their respective fees and disbursements outstanding from time to time

8. **THIS COURT ORDERS** that the Proposal Trustee and its legal counsel shall pass their accounts from time to time, and for this purpose the accounts of the Proposal Trustee and its legal counsel are hereby referred to a judge of the Commercial List of the Ontario Superior Court of Justice.

9. **THIS COURT ORDERS** that the Proposal Trustee, counsel to the Proposal Trustee, counsel to the Debtor and counsel to the directors of the Debtor shall be entitled to the benefit of and are hereby granted a charge (the "Administration Charge") on the Property, which charge shall not exceed an aggregate amount of \$100,000, as security for their professional fees and disbursements incurred at the standard rates and charges of the Proposal Trustee and such counsel, both before and after the making of this Order in respect of these proceedings. The Administration Charge shall have the priority set out in paragraphs 11 and 13 hereof.

EMPLOYEE RETENTION PAYMENTS

10. **THIS COURT ORDERS** that the Retention Payments, as described and defined in the First Report, are hereby approved and that the Debtor is hereby authorized and empowered to make the Retention Payments in accordance with the terms set out in the First Report.

VALIDITY AND PRIORITY OF CHARGES CREATED BY THIS ORDER

11. **THIS COURT ORDERS** that the priorities of the Directors' Charge and the Administration Charge, as among them, shall be as follows:

First – Administration Charge; and

Second – Directors' Charge.

12. **THIS COURT ORDERS** that the filing, registration or perfection of the Directors' Charge and the Administration Charge (collectively, the "Charges") shall not be required, and that the Charges shall be valid and enforceable for all purposes, including as against any right, title or interest filed, registered, recorded or perfected subsequent to the Charges coming into existence, notwithstanding any such failure to file, register, record or perfect.

13. **THIS COURT ORDERS** that each of the Directors' Charge and the Administration Charge (each as constituted and defined herein) shall constitute a charge on the Property and such Charges shall rank in priority to all other security interests, trusts, liens, charges and encumbrances, claims of secured creditors, statutory or otherwise (collectively, "Encumbrances") in favour of any Person.

14. **THIS COURT ORDERS** that except as otherwise expressly provided for herein, or as may be approved by this Court, the Debtor shall not grant any Encumbrances over any Property that rank in priority to, or *pari passu* with, any of the Directors' Charge or the Administration Charge, unless the Debtor also obtains the prior written consent of the Proposal Trustee, the beneficiaries of the Directors' Charge and the Administration Charge or further Order of this Court.

15. **THIS COURT ORDERS** that the Directors' Charge and the Administration Charge shall not be rendered invalid or unenforceable and the rights and remedies of the chargees entitled to the benefit of the Charges (collectively, the "Chargees") shall not otherwise be limited or impaired in any way by (a) the pendency of these proceedings and the declarations of insolvency made (expressly or impliedly) herein; (b) any application(s) for bankruptcy order(s) issued pursuant to BIA, or any bankruptcy order made pursuant to such applications; (c) any assignment for the general benefit of creditors made or deemed to have been made pursuant to

the BIA; (d) the provisions of any federal or provincial statutes; or (e) any negative covenants, prohibitions or other similar provisions with respect to borrowings, incurring debt or the creation of Encumbrances, contained in any existing loan documents, lease, sublease, offer to lease or other agreement (collectively, an “Agreement”) which binds the Debtor, and notwithstanding any provision to the contrary in any Agreement:

- (a) neither the creation of the Charges nor the payment of the Retention Payments shall create or be deemed to constitute a breach by the Debtor of any Agreement to which it is a party;
- (b) none of the Key Employees (as defined in the First Report) or the Chargees shall have any liability to any Person whatsoever as a result of any breach of any Agreement caused by or resulting from the Debtor paying the Retention Payments, the creation of the Charges, or the execution, delivery or performance of any related documents; and
- (c) the payments made by the Debtor pursuant to this Order, and the granting of the Charges, do not and will not constitute preferences, fraudulent conveyances, transfers at undervalue, oppressive conduct, or other challengeable or voidable transactions under any applicable law.

16. **THIS COURT ORDERS** that any Charge created by this Order over leases of real property in Canada shall only be a Charge in the Debtor’s interest in such real property leases.

SERVICE AND NOTICE

17. **THIS COURT ORDERS** that the Debtor and the Proposal Trustee be at liberty to serve 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 electronic transmission to the Debtor’s creditors or other interested parties at their respective addresses as last shown on the records of the Debtor and that any such service or notice by courier, personal delivery or electronic 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.

18. **THIS COURT ORDERS** that the Debtor, the Proposal Trustee, and any party who has filed a Notice of Appearance may serve any court materials in these proceedings by e-mailing a PDF or other electronic copy of such materials to counsels' email addresses as recorded on the Service List from time to time, and the Proposal Trustee may post a copy of any or all such materials on its website at www.pwc.com/car-starfield.

GENERAL

19. **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 Debtor, the Proposal Trustee and their respective 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 Debtor and to the Proposal Trustee, as an officer of this Court, as may be necessary or desirable to give effect to this Order, to grant representative status to the Proposal Trustee in any foreign proceeding, or to assist the Debtor and the Proposal Trustee and their respective agents in carrying out the terms of this Order.

20. **THIS COURT ORDERS** that each of the Debtor and the Proposal Trustee 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, including the enforcement of any Charge established hereby.

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

ENTERED AT / INSCRIT A TORONTO
ON / BOOK NO.:
LE / DANS LE REGISTRE NO.:



MAR 15 2013



Court File No. CV13-10034-00CL

IN THE MATTER OF THE BANKRUPTCY AND INSOLVENCY ACT, R.S.C. 1985, c. B-3, AS AMENDED

AND IN THE MATTER OF THE NOTICE OF INTENTION OF STARFIELD RESOURCES INC., OF THE CITY OF TORONTO IN
THE PROVINCE OF ONTARIO

**ONTARIO
SUPERIOR COURT OF JUSTICE
[COMMERCIAL LIST]**

Proceedings commenced in Toronto

ORDER

FASKEN MARTINEAU DuMOULIN LLP

333 Bay Street – Suite 2400
Bay Adelaide Centre, Box 20
Toronto, ON M5H 2T6

**Aubrey E. Kauffman (LSUC#: 18829N)
Dylan Chochla (LSUC#: 62137I)**

Tel: 416 366 8381
Fax: 416 364 7813

Solicitors for the Applicant, Starfield Resources Inc.