

Court File No. 18-601307-00CL

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

BETWEEN:

**CRH FUNDING II PTE. LTD.**

Applicant

- and -

**SAGE GOLD INC.**

Respondent

**SECOND REPORT OF THE RECEIVER**  
**DELOITTE RESTRUCTURING INC.**  
**DATED DECEMBER 12, 2018**

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## INTRODUCTION AND PURPOSE OF REPORT

1. Pursuant to an Order (“**Receivership Order**”) of the Ontario Superior Court of Justice (Commercial List) (the “**Court**”) dated July 30, 2018 (“**Receivership Date**”), Deloitte Restructuring Inc. (“**Deloitte**”) was appointed as receiver (the “**Receiver**”) of all of the assets, undertakings and properties of Sage Gold Inc. (“**Sage**” or the “**Company**”) acquired for, or used in relation to business carried on by Sage (the “**Property**”) pursuant to section 47 of the *Bankruptcy and Insolvency Act* (Canada), 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-43 (“**CJA**”) . A copy of the Receivership Order is attached hereto as **Appendix “A”**.
2. The application for the appointment of Deloitte as the Receiver pursuant to section 243 of the BIA and section 101 of the CJA over the Property made on July 13, 2018 by CRH Funding II Pte. Ltd. (“**CRH**”), the senior secured creditor of the Respondent, was opposed by the Company. At that time, the Court found it appropriate in the circumstances to make an Order for the appointment of Deloitte as an interim receiver (“**Interim Receivership Order**”) pending resolution of the Company’s opposition to the appointment at a subsequent hearing. On July 30, 2018, Mr. Justice Dunphy heard arguments from CRH, Deloitte (as interim receiver) and the Company, ultimately granting the Receivership Order. A copy of the Interim Receivership Order is attached hereto as **Appendix “B”**.
3. Background information summarizing Sage’s receivership proceedings to August 21, 2018 is included in the Report of the Proposed Receiver, Report of the Interim Receiver and Receiver’s First Report, all of which are attached, without appendices, as **Appendix “C”**, “**D**” and “**E**”, respectively.
4. As previously discussed and in the First Report, the Company’s assets consist of the Clavos property (the “**Clavos Property**”) located near Timmins and the Onaman property northeast of Thunder Bay (the “**Onaman Property**”), each as more fully described in the affidavit of Andrew Wehrley dated July 10, 2018.

5. On August 29, 2018, the Court granted an Order to approve the Sale and Investment Solicitation Process (the “**SISP Order**”), attached hereto as **Appendix “F”**. The SISP Order, among other things, authorizes and directs the Receiver and its agent, Deloitte Corporate Finance Inc. (“**DCFI**”) to carry out the activities in connection with the sale of all or substantially all of the properties Sage as prescribed in the SISP (the “**SISP**”).
6. The Receivership Order and the SISP Order, together with related Court documents including Deloitte’s previously issued reports and this second report of the Receiver (the “**Second Report**”) have been posted on the Receiver’s website at: [www.insolvencies.deloitte.ca/en-ca/sagegoldinc](http://www.insolvencies.deloitte.ca/en-ca/sagegoldinc) .
7. The purpose of this Second Report is to provide this Honourable Court with information regarding the following:
  - a. The Receiver’s activities since the date of the First Report; and
  - b. Respectfully recommend that this Honourable Court make orders:
    - i) Approving the Priority Claims Process;
    - ii) Approving the Receiver’s Interim Statement of Receipts and Disbursements for the period from August 18, 2018 to December 7, 2018;
    - iii) Approving an increase to the maximum principal amount of the Receiver’s borrowing and the Receiver’s Borrowings Charge (as defined in the Receivership Order) from \$1.0 million to \$2.0 million;
    - iv) Approving the activities of the Receiver since August 21, 2018; and
    - v) Providing such other relief that this Honourable Court considers just and warranted in the circumstances.

8. Unless otherwise stated, all dollar amounts contained in this Second Report are expressed in Canadian dollars.
9. Unless otherwise provided, all other capitalized terms not otherwise defined in this Second Report are as defined in the Receivership Order or the Receiver's previously issued reports.

#### **TERMS OF REFERENCE**

10. In developing this Second Report, the Receiver has relied upon unaudited financial information prepared by the Company's management ("**Management**"), the Company's books and records and discussions with its management. The Receiver has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the information in a manner that would wholly or partially comply with Generally Accepted Assurance Standards pursuant to be the *Chartered Professional Accountants Canada Handbook* and, accordingly, the Receiver expresses no opinion or other form of assurance in respect of the information.

#### **RECEIVER'S ACTIVITIES**

11. Since the First Report, the Receiver has undertaken the following activities in accordance with the terms of the Receivership Order:

##### *Administrative activities*

- a. On August 13, 2018, notified the Company's counsel, Ormston List Frawley LLP, of the intention to terminate lease of Corporate Office of Sage Gold Inc. located at 808, 67 Yonge Street, Toronto, Ontario, Canada;
- b. On August 16, 2018, terminated the head office lease and issued a final payment to Davpart Inc. (the "**Landlord**") for the post receivership period;
- c. Filing post-receivership Harmonized Sales Tax ("**HST**") returns, corresponding with Canada Revenue Agency ("**CRA**") in respect of trust audits and filing requirements. CRA has completed its trust audits

and there are no HST amounts or payroll source deductions outstanding that would stand in priority over CRH's secured indebtedness;

- d. Reviewing correspondence from CRA to the Company outlining a proposed reassessment on the pre-receivership balance for unpaid HST on Sage's outstanding accounts payable. The preliminary amount is approximately \$1.1 million, which appears to be an unsecured claim.
- e. Administering the *Wage Earner Protection Program Act*, for a former employee;
- f. Co-ordinated with Hub International HKMB, the Company's insurance broker, and Chubb Insurance Co. of Canada, the Company's insurer, to continue and extend the current insurance plan to December 31, 2018;
- g. Instructing McMillan LLP, the Receiver's independent legal counsel ("**McMillan**"), to conduct a review of the CRH's security and the construction liens;
- h. Engaging former employees to assist with the creation of the data room and to respond to questions from prospective purchasers in respect of Sage's geological data, resource calculations and other business matters;
- i. Corresponding with several creditors, stakeholders and other interested parties during the administration; and
- j. Conducting the SISP as described in more detail below, including negotiating the terms of the APA.

***Clavos mine activities***

- k. Co-ordinating, through the continued engagement of Ritchie Services:
  - i. ongoing Care and Maintenance Program at the Clavos Property;

- ii. continued environmental testing and regulatory and compliance reporting; and
- l. Identifying, through Ritchie Services, the specific needs and areas for winterization and implementing the logistics to mitigate the risks of cold weather hazards at the Clavos Property. The Receiver, among other things, made arrangements for the supply of propane to the mine, the purchase of necessary materials to seal the mine's portal for winter, the completion of the heat inspection on-site and secured the rental of 13 million BTU heater from a supplier.

### ***Environmental Regulatory Matters***

- m. Completing the renewal of the Permit to Take Water application for both ground and surface water on behalf of Sage. Sage's application for ground water and surface water were submitted to the Ministry during the week ended November 29, 2018;
- n. As reported previously, the Receiver has continued to conduct regular conference call meetings with representatives of the Ministry of Environment, Conservation and Parks ("MOECP") and the Ministry of Northern Development, Mines and Forestry ("MNDMF"), collectively referred to as "Ministries". The Receiver discussed the status and activities at the Clavos Property and verbally communicated to the Ministries information regarding the current status of Sage's environmental compliance obligations at the Clavos Property; and
- o. Reviewing a draft report resulting from the Ministries' visit during July 2018.

### **SALE AND INVESTOR SOLICITATION PROCESS**

- 12. As discussed in the First Report of the Receiver, the Receiver and its legal counsel developed the SISP with respect to the marketing and sale of the Property and solicitation of investment proposals from interested parties. The Honourable Court approved the SISP Order on August 29, 2018.



13. Following the granting of the SISP Order, the Receiver undertook the following steps in accordance with the requirements of the SISP:

- a. DCFI, in consultation with the Receiver, developed an initial offering summary (the “**Teaser**”) and a confidential information memorandum (the “**CIM**”). A copy of Teaser is attached as **Appendix “G**”;
- b. DCFI identified and contacted 142 potential purchasers (“**Known Potential Bidders**”), primary global mining producers, operators, and investors with a focus in North America as well as other relevant parties. All Known Potential Bidders, were provided a copy of the Teaser and a confidentiality agreement (“**Confidentiality Agreement**”);
- c. Any party who expressed an interest in the Property was required to sign the Confidentiality Agreement in order to receive further information. Subsequent to which, the parties were provided access to an electronic data room (the “**Data Room**”) containing detailed financial, technical and other relevant information;
- d. On September 14, 2018, the Receiver issued a press release in the Canadian Newswire announcing the SISP and providing the Receiver’s contact information for interested parties. A copy of the press release is attached as **Appendix “H**”;
- e. 15 parties executed the Confidentiality Agreement and each was determined to be a “**Potential Bidder**” in accordance with the SISP and were provided with the CIM and access to the Data Room;
- f. Of those 15 parties, seven (7) withdrew from the process and eight (8) submitted a non-binding indications of interest to acquire all, or substantially all of Sage’s Property or to invest in Sage (each a “**Non-Binding Indication of Interest**”) which were delivered to the Receiver on or before 5:00 p.m. (Toronto time) on September 28, 2018 (the “**Phase 1 Bid Deadline**”);

- g. The Receiver, in conjunction with DCFI, reviewed the eight (8) Non-Binding Indications of Interest and determined that six (6) parties would each be designated as a “**Qualified Phase 1 Bid**” and each bidder was accepted as a “**Qualified Phase 2 Bidder**” based on the criteria set out in the SISP. The Receiver promptly notified each party;
- h. In accordance with the SISP, CRH issued a bid notice (the “**Bid Notice**”) to the Receiver identifying its intention to participate in Phase 2 and setting out the general terms of its potential credit bid. CRH also executed a Confidentiality Agreement and subsequently it was deemed to be a Qualified Phase 2 Bidder;
- i. The Receiver arranged introductory teleconference calls with each Qualified Phase 2 Bidder and facilitated the due diligence process;
- j. To facilitate ongoing negotiations and to allow additional time for further due diligence, the Receiver exercised its discretion twice to extend the Phase 2 bid deadline, ultimately to November 12, 2018 (the “**Final Phase 2 Bid Deadline**”);
- k. Currently the Receiver has received a number of Phase 2 bids and is currently in negotiations with Qualified Phase 2 Bidders in an attempt to finalize one or more transactions for the sale of Sage’s assets and expects to return to this Honourable Court in the near term in order to seek the approval of such a transaction(s).

14. The key activities and timelines undertaken by the receiver in respect of SISP are summarized below:

Summary timelines of the SISP		
Phase/Event	Date	Description of Activities
SISP Order	August 29, 2018	➤ the Court granted an order approving the sales process (the “ <b>SISP Order</b> ”).
Publication Notice	September 14, 2018	➤ The Receiver issued a press release in Canadian Newswire

Phase 1	August 29 – September 27, 2018	<ul style="list-style-type: none"> <li>➤ Circulation of the Teaser and Confidentiality Agreement</li> <li>➤ CIM and Data Room were made available for access to parties who executed the Confidentiality Agreement</li> <li>➤ Received Indications of Interest for the Company</li> <li>➤ The Receiver and DCFI identified and notified Qualified Phase 1 Bidders who submitted Non-Binding Indications of Interest in a sale or investment in the Company</li> </ul>
Phase 1 Bid Deadline	September 28, 2018	<ul style="list-style-type: none"> <li>➤ Occurred at 5:00 pm on September 28, 2018</li> <li>➤ All Qualified Non-Binding Indications of Interest were reviewed and considered in regard to the requirements of the SISP.</li> </ul>
Assessment of Non-Binding Indications of Interest	September 29 – October 2, 2018	<ul style="list-style-type: none"> <li>➤ After the Phase 1 Bid Deadline, each Qualified Non-Binding Indication of Interest was assessed to determine whether it is a Qualified Phase 2 Bidder to move onto Phase 2.</li> </ul>
Phase 2	October 3, 2018 – November 12, 2018	<ul style="list-style-type: none"> <li>➤ Solicitation of Qualified Purchase Bid or Qualified Investment Bid commenced</li> <li>➤ The Secured Creditor declared its intention to make a Qualified Purchase Bid and delivered a Bid Notice within five days of the commencement of Phase 2</li> </ul>
Initial Phase 2 Bid Deadline	October 29, 2018	<ul style="list-style-type: none"> <li>➤ Initially was set to occur at 5:00 pm on October 29, 2018</li> <li>➤ At the request of the Secured Creditor and others, the Phase 2 Bid Deadline was extended.</li> <li>➤ Notification sent to parties in regard to further extend the deadline for Final Phase 2 Bid Deadline</li> </ul>
Final Phase 2 Bid Deadline	November 12, 2018	<ul style="list-style-type: none"> <li>➤ Occurred at 5:00 pm on November 12, 2018</li> <li>➤ Qualified Phase 2 Bidders delivered a Qualified Purchase Bid or Qualified Investment Bid to the Receiver</li> </ul>

## INDEPENDENT LEGAL REVIEW OF CRH SECURITY

15. At the Receiver’s request, its counsel McMillan conducted a review of, and provided an opinion on validity and enforceability of certain security granted in connection with the Gold Prepayment Agreement dated as of November 17, 2016 (the “GPA”) between CRH as purchaser and Sage as seller of gold deliveries.
16. McMillan has provided a written opinion confirming that CRH’s security:
- a. Constitutes legal, valid and binding obligations against Sage under the GPA and the Debentures;
  - b. Has been duly registered, filed or recorded in the province of Ontario; and
  - c. Has remained registered against title to the lands and the property charged.

## CONSTRUCTION LIENS AND PRIORITY CLAIMS

17. The Receiver notes that under the terms of CRH credit bid, the purchaser's obligation to close the transaction is conditional on the value of any valid claims that rank ahead of CRH's security being less than or equal to a specified cap. In addition, if the Receiver elects to close a cash bid, priority claims will also need to be determined to ensure appropriate distribution of the proceeds. Accordingly, the Receiver is of the view that a reasonable process (as described in more detail below) for determining the quantum and validity of any priority claims will be necessary to complete the administration of the estate.
18. At this time, the Receiver has received eight (8) construction liens that were filed against Sage and its property (the "**Construction Liens**") on or before the Interim Receivership Order date which led to commencement of the Receivership proceeding.
19. As the result of the WEPPA administration and the audit conducted by CRA, the Receiver is of the view that the only potential creditors with a potential claim in priority to CRH may be the Construction Liens.
20. Based on the Receiver's review and the nature of the potential bids noted above, in conjunction with its counsel, McMillan, the Receiver is of the view that a limited claims process to determine whether any priority claims rank in priority to CRH's security is necessary in the circumstances. In consultation with the CRH as Purchaser, the Receiver designed a priority claims process, which is set out in the draft Priority Claims Order attached to the motion record of the Receiver (the "**Priority Claims Process**").
21. The key terms of the Priority Claims Process are as follows:
  - Within five (5) business days of the granting of the Priority Claims Order, the Receiver will provide written notice of the Priority Claims Process and the claims bar date of January 28, 2019 (the "**Priority Claims Bar Date**") to (i) all known potential priority claimants listed in Sage's books and records; (ii) all persons

with registered construction liens against Sage's property; and all persons that have registered an interest against Sage under the *Personal Property Security Act* (Ontario);

- The Receiver will also publish notice of the Priority Claims Bar Date for one (1) business day, in *The Globe and Mail* (National Edition) and the *Timmins Daily Press*;
- By the Priority Claims Bar Date, any person asserting a priority claim must delivery to the Receiver information and supporting documentation necessary to establish such person's priority claim, including evidence of the quantum of such claim and the basis on which it ranks in priority to CRH's security. If a construction lien claim is asserted, the claimant must include additional specific information set out in the Priority Claims Order. Any person who fails to submit a priority claim to the Receiver by the Priority Claims Bar Date will be forever barred from asserting such a priority claim and that claim will be designated as a "Barred Priority Claim" and be forever extinguished as against the assets and property of Sage;
- The Receiver will review all priority claims (and supporting materials) and shall accept, settle or dispute the amount or priority of each such asserted priority claim;
- If the Receiver, in consultation with CRH, as secured creditor, is unable to resolve a particular asserted priority claim and wishes to dispute such claim, the Receiver shall deliver a notice of dispute (in the form attached to the Priority Claims Order) to such claimant setting out in detail the basis upon which the claim is disputed. Any notices of dispute must be delivered by the Receiver by no later than February 4, 2019; and
- The Receiver, in consultation with CRH, may at any time refer a disputed priority claim (or a portion thereof) to this Court for adjudication. In addition, a priority claimant may seek directions of this Court in respect of the Priority Claims Process.

22. The Receiver believes that the Priority Claims Process, including the Priority Claims Bar Date, is a fair and reasonable way of determining the quantum and validity of any priority claims, which will allow the Receiver to expeditiously complete one or more sales transactions for the benefit of Sage and its stakeholders.
23. Finally, as the bids that are currently under consideration by the Receiver in respect of the Clavos Property each contemplate assumption of the various net smelter return royalty agreements to which Sage's the Clavos Property is subject, the Receiver does not anticipate requiring the counterparties to those contracts to file priority claims in the Priority Claims Process.

#### **RECEIVER'S INTERIM RECEIPTS AND DISBURSEMENTS**

24. Attached hereto as **Appendix "I"**, is the Interim Statement of Receipts and Disbursements for the period August 18, 2018 to December 7, 2018 (the "**Interim R&D**"). As at December 11, 2018, the closing cash balance was approximately \$90,000.

#### **RECEIVER'S BORROWINGS AND ADDITIONAL FUNDING REQUIREMENT**

25. As noted in previous reports the Care and Maintenance Program and the receivership costs have been principally funded by Receiver's Certificates. To date, CRH has provided \$899,000 in funding through Receiver's Certificates, which is approaching the \$1.0 million principal limit prescribed in the Receiver's Borrowing Charge in paragraph 19 of the Receivership Order.
26. Based on the estimated timelines to close a sale and costs that will continue to be incurred, it is apparent that the current expenditures will in aggregate exceed the Receiver's Borrowings Charge of \$1.0 million. The Receiver intends to fund the ongoing Care and Maintenance Program, such as winterization, environmental and water management, regulatory compliance, insurance costs, professional fees and other costs up to the anticipated closing of a sale transaction.
27. The Receiver is of the view that such borrowings are necessary and appropriate in the circumstances.

28. Accordingly, the Receiver is seeking authorization to borrow up to \$2.0 million, an increase of \$1.0 million in the Receiver's Borrowing Charge. CRH supports the Receiver's proposed increase in required borrowings.


#### **CONCLUSIONS AND RECOMMENDATIONS**

29. We submit this Second Report to in support of the Receiver's motion to this Honourable Court making orders:

- a. Approving the Priority Claims Process;
- b. Approving the Receiver's Interim Statement of Receipts and Disbursements for the period from August 18, 2018 to December 7, 2018;
- c. Approving an increase to the maximum principal amount of the Receiver's Borrowing and the Receiver's Borrowing Charge (as defined in the Receivership Order) from \$1.0 million to \$2.0 million;
- d. Approving the activities of the Receiver since August 21, 2018; and
- e. Providing such other relief that this Honourable Court considers just and warranted in the circumstances.

All of which is respectfully submitted at Toronto, Ontario this 12<sup>th</sup> day of December, 2018.

**Deloitte Restructuring Inc.,**  
solely in its capacity as the  
Receiver of Sage Gold Inc., and not in its personal  
capacity



Per:

Philip J. Reynolds, CPA, CA, CIRP, LIT  
Senior Vice-President



Per:

Rob Biehler, CPA, CA, CIRP, LIT  
Senior Vice-President





Court File No. CV-18-601307-00CL

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

THE HONOURABLE )  
 JUSTICE S.F. DWYER )

MONDAY, THE 30TH  
 DAY OF JULY, 2018



**CRH FUNDING II PTE. LTD.**

Applicant

- and -

**SAGE GOLD INC.**

Respondent

**ORDER**  
**(Appointing Receiver)**

THIS APPLICATION made by the Applicant 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 Deloitte Restructuring Inc. as receiver ("**Deloitte**" or, in such capacities, the "**Receiver**") without security, of all of the assets, undertakings and properties of Sage Gold Inc. (the "**Debtor**") acquired for, or used in relation to a business carried on by the Debtor, was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the affidavit of Andrew Wehrley sworn July 10, 2018, the Exhibits thereto and the Supplemental Affidavit of Andrew Wehrley sworn July 12, 2018 and on hearing the submissions of counsel for the Applicant, counsel for the Debtor, no one else appearing

although duly served as appears from the affidavits of service of Amy Sevigny sworn July 12, 2018 and on reading the consent of Deloitte 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 243(1) of the BIA and section 101 of the CJA, Deloitte is hereby appointed Receiver, without security, of all of the assets, undertakings and properties of the Debtor acquired for, or used in relation to a business carried on by the Debtor, 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 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) 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) to receive and collect all monies and accounts now owed or hereafter owing to the Debtor and to exercise all remedies of the Debtor in collecting such monies, including, without limitation, to enforce any security held by the Debtor;
- (g) to settle, extend or compromise any indebtedness owing to the Debtor;
- (h) 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 Debtor, for any purpose pursuant to this Order;
- (i) 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 Debtor, 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) to sell, convey, transfer, lease or assign the Property or any part or parts thereof out of the ordinary course of business, <sup>ADD (but on three days notice to Debtor)</sup>
- (i) without the approval of this Court in respect of any transaction not exceeding \$250,000, provided that the aggregate consideration for all such transactions does not exceed \$1,000,000; 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.

- (l) 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) 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) to register a copy of this Order and any other Orders in respect of the Property against title to any of the Property;
- (o) 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 Debtor;

- (p) to enter into agreements with any trustee in bankruptcy appointed in respect of the Debtor, including, without limiting the generality of the foregoing, the ability to enter into occupation agreements for any property owned or leased by the Debtor;
- (q) to exercise any shareholder, partnership, joint venture or other rights which the Debtor may have; and
- (r) 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 Debtor, and without interference from any other Person.

#### **DUTY TO PROVIDE ACCESS AND CO-OPERATION TO THE RECEIVER**

4. THIS COURT ORDERS that (i) the Debtor, (ii) all of its 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 Debtor, 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 DEBTOR OR THE PROPERTY**

9. THIS COURT ORDERS that no Proceeding against or in respect of the Debtor 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 Debtor or the Property, including the proceedings commenced by Toromont Industries Ltd., carrying on business as Battlefield Equipment Rentals, against the Debtor and the Applicant before the Ontario Superior Court of Justice in the Court file number CV-18-00000097-0000, are hereby stayed and suspended pending further Order of this Court, and that any Proceedings seeking to challenge the validity of the Applicant's claim against the Debtor or priority of the Applicant's security interest against its Property shall be brought before this Court, in the context of the present receivership proceedings.

*without prejudice to the Debtor seeking leave to commence arbitration proceedings.*

### **NO EXERCISE OF RIGHTS OR REMEDIES**

10. THIS COURT ORDERS that all rights and remedies against the Debtor, 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 Debtor to carry on any business which the Debtor is not lawfully entitled to carry on, (ii) exempt the Receiver or the Debtor 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 Debtor, 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 Debtor 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 Debtor 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 Debtor's 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 Debtor 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 Debtor 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 Debtor, 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. The Receiver shall be deemed not to have taken possession of any of the Property for the purposes of Environmental Legislation or the Mining Act, R.S.O. 1990, C. M.14 during the Review Period (as defined below) while it assesses the environmental condition of the Property and the requirements for completing the process of placing the Debtor's mines on care and maintenance. The Receiver will have the option at any time up to and including August 31, 2018 (the "**Review Period**") of abandoning all or any part of the Property at any time upon filing a certificate with this court so certifying and describing the abandoned Property, all without prejudice to the Debtor's interest in such property and rights and interests of creditors to the abandoned Property and all such rights and interests are expressly reserved. The Receiver shall provide prior written notice to the Director of Mine Rehabilitation and CRH (with a copy to the Service List) of its intention to file a certificate of abandonment at least ten business days in advance of filing such certificate with this Court prior to the expiry of the Review Period. In the event that the Receiver seeks to abandon all or any part of the Property at any other time during these proceedings, save and except for abandonment pursuant to section 14.06(4) of the BIA, the Receiver may do so only with leave of the Court obtained on motion with reasonable notice to the Director of Mine Rehabilitation and CRH (with a copy to the Service List).

#### **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 \$1,000,000 (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.

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 Debtor 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.

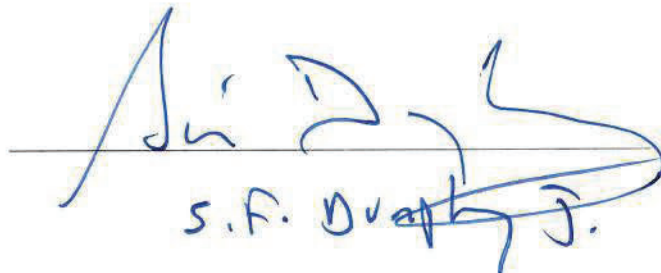
28. THIS COURT ORDERS that nothing in this Order shall prevent the Receiver from acting as a trustee in bankruptcy of the Debtor.

29. 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. 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. THIS COURT ORDERS that the Applicant shall have its costs of this motion, up to and including entry and service of this Order, provided for by the terms of the Plaintiff's security or, if not so provided by the Plaintiff's security, then on a substantial indemnity basis to be paid by the Receiver from the Debtor's estate with such priority and at such time as this Court may determine.

32. 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.



S.F. Duagh J.

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

JUL 30 2018

PER / PAR: *rw*

**SCHEDULE "A"**  
**RECEIVER CERTIFICATE**

CERTIFICATE NO. \_\_\_\_\_

AMOUNT \$ \_\_\_\_\_

1. THIS IS TO CERTIFY that Deloitte Restructuring Inc., the receiver (the "**Receiver**") of the assets, undertakings and properties Sage Gold Inc. acquired for, or used in relation to a business carried on by the Debtor, including all proceeds thereof (collectively, the "**Property**") appointed by Order of the Ontario Superior Court of Justice (Commercial List) (the "**Court**") dated the \_\_\_ day of \_\_\_\_\_, 2018 (the "**Order**") made in an application 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 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 \_\_\_\_\_, 2018.

DELOITTE RESTRUCTURING INC., solely in its capacity as Receiver of the Property, and not in its personal capacity

Per: \_\_\_\_\_

Name:

Title:

CRH FUNDING II PTE. LTD.      SAGE GOLD INC.  
Applicant      and      Respondent

Court File No.: CV-18-601307-00CL

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

Proceeding commenced at Toronto

**ORDER (APPOINTING RECEIVER)**

**STIKEMAN ELLIOTT LLP**  
Barristers & Solicitors  
5300 Commerce Court West  
199 Bay Street  
Toronto, Canada M5L 1B9

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Tel: (514) 397-3163  
Email: [gmartel@stikeman.com](mailto:gmartel@stikeman.com)

Kathryn Esaw LSUC#58264F  
Tel: (416) 869-6820  
Email: [kesaw@stikeman.com](mailto:kesaw@stikeman.com)

Lawyers for the Applicant

St. Dunlop J 043  
30 July 2018

Mr Rober appeared - he is in the process  
of being retained by the directors of the  
debtor but has not yet been retained.  
He asked for an adjournment of  
the motion which I denied. The IR's  
report demonstrates the urgent need  
for a properly funded custodian of  
this airline and there is no credible  
alternative to the receiver before me.  
Counsel for the Ministry is not opposed.  
Paragraph 3(k) and paragraph 9 of the  
draft order amended by me to ensure the  
debtor - if actively and seriously pursuing a  
restructuring alternative to receivership -  
will have an opportunity to make that case.  
Para 16 has been vetted by the Crown who is  
not opposed. Draft Order signed as  
amended.

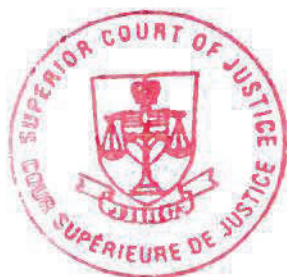
St. Dunlop



Court File No. CV-18-601307-00CL

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

THE HONOURABLE MISTER	)	FRIDAY, THE 13TH
	)	
JUSTICE HAINEY	)	DAY OF JULY, 2018



**CRH FUNDING II PTE. LTD.**

Applicant

- and -

**SAGE GOLD INC.**

Respondent

**ORDER**  
**(Appointing an Interim Receiver)**

THIS APPLICATION made by the Applicant for an Order pursuant to section 47 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 Deloitte Restructuring Inc. as an interim receiver ("Deloitte" or, in such capacities, the "Receiver") without security, of all of the assets, undertakings and properties of Sage Gold Inc. (the "Debtor") acquired for, or used in relation to a business carried on by the Debtor, was heard this day at 330 University Avenue, Toronto, Ontario.

THIS ORDER is rendered without prejudice to the respective positions of the parties on the merits of the Receivership Application filed by the Applicant on July 10, 2018 pursuant to section 243 of the BIA, and any of the relief therein.

ON READING the affidavit of Andrew Wehrley sworn July 10, 2018, the Exhibits thereto and the Supplemental Affidavit of Andrew Wehrley sworn July 12, 2018 and on hearing the submissions of counsel for the Applicant, counsel for the Debtor, no one else appearing although duly served as appears from the affidavits of service of Amy Sevigny sworn July 12, 2018 and on reading the consent of Deloitte 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 47 of the BIA and section 101 of the CJA, Deloitte is hereby appointed Receiver, without security, of all of the assets, undertakings and properties of the Debtor acquired for, or used in relation to a business carried on by the Debtor, 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 cash, receipts and disbursements arising out of or from the Property;
- (b) to monitor, preserve, and protect the Property, or any part or parts thereof, 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;

- 3 -

- (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 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;
- (e) to receive and collect all monies and accounts now owed or hereafter owing to the Debtor and to exercise all remedies of the Debtor in collecting such monies, including, without limitation, to enforce any security held by the Debtor, provided, however that funds held by the Debtor, as of the date of this Order, shall only be used as determined by the Receiver in consultation with the Debtor;
- (f) 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;
- (g) 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 Debtor; and
- (h) 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 Debtor, and without interference from any other Person.

#### **DUTY TO PROVIDE ACCESS AND CO-OPERATION TO THE RECEIVER**

4. THIS COURT ORDERS that (i) the Debtor, (ii) all of its 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 Debtor, 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, for the purpose of preserving and protecting the property 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.

#### **NO PROCEEDINGS AGAINST THE RECEIVER**

7. 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 DEBTOR OR THE PROPERTY**

8. THIS COURT ORDERS that no Proceeding against or in respect of the Debtor 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 Debtor or the Property, including the proceedings commenced by Toromont Industries Ltd., carrying on business as Battlefield Equipment Rentals, against the Debtor and the Applicant before the Ontario Superior Court of Justice in the Court file number CV-18-00000097-0000, are hereby stayed and suspended pending further Order of this Court, and that any Proceedings seeking to challenge the validity of the Applicant's claim against the Debtor or priority of the Applicant's security interest against its Property shall be brought before this Court, in the context of the present receivership proceedings.

#### **NO EXERCISE OF RIGHTS OR REMEDIES**

9. THIS COURT ORDERS that all rights and remedies against the Debtor, 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 Debtor to carry on any business which the Debtor is not lawfully entitled to carry on, (ii) exempt the Receiver or the Debtor 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**

10. 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 Debtor, without written consent of the Receiver or leave of this Court.

**CONTINUATION OF SERVICES**

11. THIS COURT ORDERS that all Persons having oral or written agreements with the Debtor 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 Debtor 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 Debtor's 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 Debtor 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**

12. 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**

13. THIS COURT ORDERS that all employees of the Debtor shall remain the employees of the Debtor. 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**

14. 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 Debtor, and shall return all other personal information to the Receiver, or ensure that all other personal information is destroyed.

**LIMITATION ON ENVIRONMENTAL LIABILITIES**

15. 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. The Receiver shall be deemed not to have taken possession of any of the Property for the purposes of Environmental Legislation for the first 10 days after the date of this order while it assesses the environmental condition of the Property and the requirements for completing the process of placing the Debtor's mines on care and maintenance. The Receiver will have the option of abandoning all or any part of the Property at any time upon filing a certificate with this court so certifying and describing the abandoned Property, all without prejudice to the Debtor's interest in such property and rights and interests of creditors to the abandoned Property and all such rights and interests are expressly reserved.

#### **LIMITATION ON THE RECEIVER'S LIABILITY**

16. 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**

17. 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.

18. 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.

- (a) 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.
- (b) THIS COURT ORDERS that Ormston List Frawley's rights to seek payment of its professional fees and disbursements from the estate of the Debtor is expressly reserved, without prejudice to the rights of any part to oppose the payments of such fees.

#### **FUNDING OF THE RECEIVERSHIP**

19. 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 \$1,000,000 (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.

20. 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.

21. 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.

22. 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**

23. 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.

24. 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 Debtor 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**

25. 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.

26. THIS COURT ORDERS that nothing in this Order shall prevent the Receiver from acting as a trustee in bankruptcy of the Debtor.

27. 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.

28. 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.

29. THIS COURT ORDERS that the Applicant shall have its costs of this motion, up to and including entry and service of this Order, provided for by the terms of the Plaintiff's security or, if not so provided by the Plaintiff's security, then on a substantial indemnity basis to be paid by the Receiver from the Debtor's estate with such priority and at such time as this Court may determine.

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30. 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.

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

JUL 13 2018

PER / PAR: *RW*



**SCHEDULE "A"**  
**RECEIVER CERTIFICATE**

CERTIFICATE NO. \_\_\_\_\_

AMOUNT \$ \_\_\_\_\_

1. THIS IS TO CERTIFY that Deloitte Restructuring Inc., the receiver (the "**Receiver**") of the assets, undertakings and properties Sage Gold Inc. acquired for, or used in relation to a business carried on by the Debtor, including all proceeds thereof (collectively, the "**Property**") appointed by Order of the Ontario Superior Court of Justice (Commercial List) (the "**Court**") dated the \_\_\_ day of \_\_\_\_\_, 2018 (the "**Order**") made in an application 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 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.

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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 \_\_\_\_\_, 2018.

DELOITTE RESTRUCTURING INC., solely in  
its capacity as Receiver of the Property, and not  
in its personal capacity

Per: \_\_\_\_\_

Name:

Title:

**CRH FUNDING II PTE. LTD.**  
Applicant

**SAGE GOLD INC.**  
and Respondent

Court File No.: CV-18-601307-00CL

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST**

Proceeding commenced at Toronto

**ORDER (APPOINTING AN  
INTERIM RECEIVER)**

**STIKEMAN ELLIOTT LLP**  
Barristers & Solicitors  
5300 Commerce Court West  
199 Bay Street  
Toronto, Canada M5L 1B9

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Lawyers for the Applicant



Court File No. 18-601307-00CL

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

BETWEEN:

**CRH FUNDING II PTE. LTD.**

Applicant

- and -

**SAGE GOLD INC.**

Respondent

**REPORT OF THE PROPOSED RECEIVER**

**DELOITTE RESTRUCTURING INC.**

**DATED JULY 12, 2018**

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## INTRODUCTION

1. This report (“**Report**”) is filed by Deloitte Restructuring Inc. (“**Deloitte**”) as proposed receiver over the assets, property and undertakings (the “**Property**”) of Sage Gold Inc. (“**Sage**” or the “**Company**”).
2. The application for the appointment of Deloitte as Receiver is being made by CRH Funding II Pte. Ltd. (“**CRH**”), the senior secured creditor of the Respondent.
3. Sage is a publically traded company headquartered in Toronto, Ontario, with its common shares listed on the TSX Venture Exchange under the symbol “SGX”.
4. Sage is primarily engaged in the exploration of gold in Ontario Canada. Its main properties consists of the Clavos property (the “**Clavos Property**”) located near Timmins and the Onaman property northeast of Thunder Bay (the “**Onaman Property**”).
5. As set out in the Affidavit of Andrew Wehrley sworn on July 10, 2018, Sage is in default of its obligations under a Gold Purchase Agreement dated November 17, 2016 and the obligations owed by Sage to CRH are secured pursuant to a Debenture dated November 17, 2016.
6. On June 25, 2018, CRH issued a Notice of Intention to Enforce Security pursuant to section 244 of the *Bankruptcy and Insolvency Act* (Canada) (the “**244 Notice**”) with a view to seeking the appointment of Deloitte as receiver.
7. On July 10, 2018, Sage publicly announced its financial results for the quarter-ended March 31, 2018, it suffered a net loss of approximately \$3.0 million, and EBITDA (a proxy for cash flow) was approximately negative \$2.5 million.

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8. The purpose of the proposed receivership proceedings is to secure the Property, complete the process of placing the mines on care and maintenance and for the receiver to realize on the Property.
9. The purpose of this Report is to provide this Honourable Court with the observations of Deloitte based on its recent attendance on site at the Clavos Property.
10. All references to currency are in Canadian dollars unless otherwise noted.

#### **TERMS OF REFERENCE**

11. In preparing this Proposed Receiver's Report, Deloitte has relied upon unaudited financial information, discussions with representatives of Ritchie Services (defined below) who are engaged in Sage's mining operations. The Proposed Receiver has not performed an audit or other verification of such information and accordingly, the Proposed Receiver expresses no opinion or other form of assurance in respect of such information contained in this Proposed Receiver's Report.

#### **RECEIVER'S ATTENDANCE**

12. On Friday July 6, 2018, Mr. Nigel Lees, Chief Executive Officer of Sage permitted representatives of Deloitte to attend, on an short term basis, at Sage's primary mine at the Clavos Property in order to assess the situation, inspect the property and meet with representatives of the contract mine manager, R. Ritchie Services Ltd. ("**Ritchie Services**").
13. Sage does not have any of its own employees that work at the Clavos Property or the Onaman Property. Sage retains Richie Services as the contract mine manager and Ritchie Services directly engages employees that attend at Clavos Property to carry out the required activities and care and maintenance operations. Sage is invoiced by Ritchie Services for the manpower and supplies utilized at the Clavos Property. Accordingly, Ritchie Services is very familiar with the operations at the Clavos Property.

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14. Commencing Saturday July 7, 2018, Rob Biehler, Senior Vice-President of Deloitte attended at the Clavos Property and met with Bob Ritchie, P. Eng., principal of Ritchie Services, mine project manager and Qualified Person (i.e. a defined term in the mining industry that reflects subject matter expert possessing technical skills and experience in mineral exploration, mine development and operations), Ross Penney, mine superintendent and Keith Gage, mining compliance administrator.
15. The Receiver's representative attended the Clavos Property on a daily basis until Tuesday July 10, 2018, and completed the following activities:
  - a) Interviewing representatives of Ritchie Services with a view to understand the care and maintenance and physical security activities being carried out at the Clavos Property, in addition to the proposed budget for manpower and operating supplies and adequacy of capital resources (collectively "**Care and Maintenance Program**");
  - b) Identifying risks and status of key suppliers of Sage impacting the Care and Maintenance Program;
  - c) Reviewing the status of payment arrangements with Ritchie Services and the impacted employees that work on-site at Clavos Property;
  - d) Reviewing the status of the staff's environmental compliance monitoring and reporting practices;
  - e) Reviewing the status of compliance in respect of matters related to Ministry of Labour ("**MOL**") and Ministry of Environment, Conservation and Parks ("**MOE**"); and
  - f) Other matters impacting the stakeholders, including CRH.



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## PROPOSED RECEIVER'S OBSERVATIONS

16. Sage is facing severe liquidity and other issues which impact the Company's ability to effectively complete and continue the Care and Maintenance Program. These issues include:

- a) Sage has not provided a payment to Ritchie Services since mid-May 2018. Bob Ritchie estimates that his company is owed over \$1.4 million by Sage and as a result it has ceased making payroll and other payments to its employees that work at the Clavos Property;
- b) In order to complete and continue the Care and Maintenance Program, Ritchie Services will require a minimum of 8 employees, including Bob Ritchie, in light of the various roles and 24 hour, 7 day nature of the security and operations required;
- c) Ritchie Services employees are paid on the 10<sup>th</sup> and 25<sup>th</sup> of the month for work completed up to the last day of the month prior and 15<sup>th</sup> day, respectively. The latest day of payment that these employees have been paid is May 25, 2018 and therefore the employees that have continued the Care and Maintenance Program for Sage are approximately 45 days in arrears. Deloitte was advised that the significant majority of the remaining former employees of Ritchie Services serving Sage have been laid off or have resigned;
- d) the purchase of consumable materials, including diesel fuel, water treatment chemicals, mobile equipment parts, pump parts, etc. are critical to the effective execution of the Care and Maintenance Program. Sage does not have sufficient funding the secure supply of these materials;
- e) Deloitte has requested from management, but has not received, confirmation of the payment of insurance premiums to date, and therefore it is unclear whether Sage currently has insurance coverage in place;

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- f) Two key suppliers that Sage requires for its MOE reporting, Testmark Laboratories Ltd. who test the quality of water discharged into the environment, and WSP Canada Inc. who provide reporting on the Company's water sampling volumes and other parameters have ceased providing information to the Company. It is unclear whether the water samples have been tested and the recent results are unknown to the Company;
  - g) Sage has seven (7) underground pumps in the mine down to the 261 meter level. These pumps are discharging water out of the mine at the rate of approximately 750,000 L per day as part of the Care and Maintenance Program. The pumping is necessary to maintain the water levels. Sage only has one spare pump in the case of a failure; and
  - h) Bob Ritchie advises that the pumps operate solely on electrical power and that to his knowledge the Hydro One invoice has not been paid in at least 90 days. If power service is terminated, pumping would stop and the resulting rise in water levels would place the underground equipment in peril and potentially diminish the economic recovery in respect of the mine. In addition, the underground equipment, such as transformers and electrical equipment, contain contaminants and therefore maintaining the water levels at safe levels is important for environmental compliance.
17. There is one outstanding order issued by the MOL and three outstanding orders issued by the MOE orders which cannot be addressed without additional liquidity and appropriate management.
18. The outstanding MOL order relates to the required installation of a tester for the brightness, which is measured in lumens, of the miners' hats.
19. The MOE orders are effective June 8, 2018 and are in respect of the installed septic tank and septic bed adjacent to the office facility at the Clavos Property. These orders, include:

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- a) the need for signage and markers of the septic system by July 1, 2018 and Sage has addressed this action;
  - b) the inspection of the septic system and assessment of the impact of potential damage caused by equipment by July 31, 2018; and
  - c) a submission of an Environmental Compliance Assessment amendment to amend Sage's permit to include the design of the septic system which Sage built without obtaining appropriate permits.
20. Bob Ritchie and Keith Gage of Ritchie Services have indicated that Sage does not have the financial resources to comply with these orders by these deadlines. Although an extension of the deadline may be granted, Sage's ability to comply is questionable in the current circumstances.
21. Representatives of Ritchie Services have advised that their own testing of the water quality and volumes have been continued at the Clavos Property and that results are within required thresholds. Deloitte has been advised that Sage is currently compliant with MOE reporting deadlines. However, without the continued service by third-party verified information the future reporting deadlines appear to be at risk.
22. Executing the Care and Maintenance Program safely and effectively is critical to preserving the value of the Property.
23. Ritchie Services representatives advise that the diesel air compressor has been repossessed and that an immediate replacement is necessary to provide emergency air to the underground levels of the mine. Sage does not have a planned replacement or funding to put this into place.

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All of which is respectfully submitted at Toronto, Ontario this 12<sup>th</sup> day of July, 2018.

**Deloitte Restructuring Inc.,**  
solely in its capacity as the  
Proposed Court-appointed receiver of  
Sage Gold Inc., and not in its personal capacity

A handwritten signature in blue ink, appearing to read "Philip Reynolds". The signature is fluid and cursive, with a long, sweeping underline.

Per:

Philip J. Reynolds, CPA, CA, CIRP, LIT

Senior Vice-President

A handwritten signature in blue ink, appearing to read "Rob Biehler". The signature is cursive and somewhat stylized.

Per:

Rob Biehler, CPA, CA, CIRP, LIT

Senior Vice-President



Court File No. 18-601307-00CL

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

BETWEEN:

**CRH FUNDING II PTE. LTD.**

Applicant

- and -

**SAGE GOLD INC.**

Respondent

**REPORT OF THE INTERIM RECEIVER**  
**DELOITTE RESTRUCTURING INC.**  
**DATED JULY 26, 2018**

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## INTRODUCTION

1. By Order of the Ontario Superior Court of Justice (Commercial List) (the “**Court**”) dated July 13, 2018 (“**Interim Receivership Order**”), Deloitte Restructuring Inc. (“**Deloitte**”) was appointed as interim receiver (the “**Interim Receiver**”) of all of the assets, undertakings and properties of Sage Gold Inc. (“**Sage**” or the “**Company**”) acquired for, or used in relation to business carried on by Sage (the “**Property**”) pursuant to section 47 of the *Bankruptcy and Insolvency Act* (Canada), 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-43 (“**CJA**”). A copy of the Interim Receivership Order is attached hereto as **Appendix “A”**.
2. The application for the appointment of Deloitte as receiver pursuant to section 243 of the BIA and section 101 of the CJA over the Property (“**Receiver**”) made on July 13, 2018 by CRH Funding II Pte. Ltd. (“**CRH**”), the senior secured creditor of the Respondent, was opposed by the Company. At that time, the Company requested that the Court grant it additional time to prepare responding materials. The Court found it appropriate in the circumstances to grant the Interim Receivership Order and schedule a hearing on July 30, 2018 to address CRH’s application for the appointment of Deloitte as Receiver and the Company’s opposition to the receivership proceedings.
3. The Company’s main properties consist of the Clavos mine located near Timmins (the “**Clavos Property**”) and the Onaman exploration property northeast of Thunder Bay (the “**Onaman Property**”). The Clavos Property has been developed by Sage (and the prior owner) as a producing gold mine. The mine has been developed with an underground ramp access to 300 metre level and the surface has infrastructure including, an office and staff facility, first aid trailer, core cutting shed and a shop building. The Company also maintains two ponds for the water discharge.

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4. The Onaman Property is an exploration property and does not have any infrastructure. The Interim Receiver has not attended on this site, as attending was not required to preserve this property.
5. The purpose of this Report is to provide this Honourable Court with an update on the Company and the activities of Deloitte since its appointment as Interim Receiver.
6. All references to currency are in Canadian dollars unless otherwise noted.

#### **TERMS OF REFERENCE**

7. In preparing this Interim Receiver's Report, Deloitte has relied upon unaudited financial information, the Company's books and records, discussions with representatives of Ritchie Services (defined below) who are engaged in Sage's mining operations and management of the Company. The Interim Receiver has not performed an audit or other verification of such information and accordingly, the Interim Receiver expresses no opinion or other form of assurance in respect of such information contained in this Interim Receiver's Report.

#### **INTERIM RECEIVER'S ACTIVITIES**

##### ***Attending to the Critical Situation at the Clavos Property***

8. Pursuant to the Interim Receivership Order, Sage continued to maintain possession of the Clavos Property and management control of its operations. However, the Interim Receiver has been actively engaged in assisting Sage to secure, preserve and protect the Property.
9. Immediately following the issuance of the Interim Receivership Order, the Interim Receiver attended at the Clavos Property in order to assess the situation at the mine and meet with representatives of the contract mine manager, R. Ritchie Services Ltd. ("**Ritchie Services**") to review the status of the care and maintenance program (collectively "**Care and Maintenance Program**").



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10. Deloitte was advised that unpaid creditors repossessed two rented mobile equipment pieces that were utilized in the Care and Maintenance Program at the Clavos Property. Sage's Toyota truck and 1.25 tonne scoop tractor were repossessed on July 12<sup>th</sup> and 13<sup>th</sup> respectively. This equipment was used, among other things, to attend to underground activities.
11. On Saturday July 14, 2018, representatives of Ritchie Services advised the Interim Receiver that the decreased volume of water flowing at the surface of the mine led them to believe that at least one of the underground pumps had ceased to operate. This raised serious concern that, as a consequence of there being no mobile equipment on site to inspect and repair the pumps on a timely basis, water levels in the mine could rise rapidly.
12. Due to the self-help remedies taken by the applicable creditors, Ritchie Services personnel could not attend to underground activities, including checking the pumps used to maintain water levels in the mine at the required level. A material increase in water levels in the mine could cause, among other things, damage to the mine and the equipment and explosives located underground.
13. The Interim Receiver made inquiries with a bailiff and the unpaid supplier about the return of the Toyota truck over the weekend. However, in light of the demands of the supplier and the critical timing constraints, it was not feasible to secure the return of the equipment from the supplier.
14. The Interim Receiver with assistance of Ritchie Services secured the rental of a mine tractor in the following days that could be used by Ritchie Services to address the rising water in the mine and to carry out the Care and Maintenance Program. The Interim Receiver was able to make the financial commitment for the rental based on the funding commitments made by CRH.
15. Ritchie Services was prevented from attending underground for approximately eight (8) days while the replacement tractor was obtained. Pumping activities were restored on July 20<sup>th</sup> and as a result,

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among other things, water damage to the equipment was averted. The Interim Receiver was advised by Ritchie Services that, in its view, two pumps and an electrical panel would likely have been significantly damaged if underground activities had not been restored that day.

### ***Securing Interim Funding From CRH***

16. To date, due to the Company's inability to finance the care and maintenance of the Clavos Property, CRH has had to provide \$170,000 in funding through Receiver's Certificates, reflecting the Interim Receiver's estimate of spending for the interim receivership period up to July 30, 2018.
17. The Interim Receiver has been working with CRH representatives in reviewing the estimated expenditures related to a court-appointed receivership and in this regard, the current expenditure estimates are in excess of \$260,000 per month and in aggregate will approach or potentially exceed the Receiver's Borrowing Charge of \$1,000,000 in paragraph 19 of the Initial Receivership Order.
18. The Interim Receiver has been advised by CRH that it is only prepared to provide funding beyond July 30<sup>th</sup> if the order to approve the full receivership proceedings is granted. The Interim Receiver is not aware of Sage having secured sources of funding sufficient to continue the Care and Maintenance Program.

### ***Discussions with Representatives of Provincial Government Ministries***

19. The Interim Receiver has been actively engaged in discussions with representatives from the Ministry of Energy, Northern Development and Mines ("MNDM") and the Ministry of Environment, Conservation & Parks ("MOE"), (Collectively the "Ministries"). These discussions have been comprised of an in-person site meeting and various conference calls. The discussions are intended to provide an exchange information regarding the state of Sage's compliance with applicable laws and requirements, the environmental condition of the mine and potential steps to mitigate environmental

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risks at the Clavos Property in the context of the receivership proceedings and available funding. Discussions with the Ministries are continuing as the Interim Receiver continues to review the situation. Based on the current status, it is likely that the Interim Receiver will require more time to assess the situation with the Ministries and may request extension of the time period for such evaluation set out in paragraph 16 of the Interim Receivership Order.

***Other Activities***

20. Since the date of the Interim Receivership Order, the Interim Receiver had conducted the following additional activities to monitor, preserve and protect the Property:

- a) Meeting with the mine manager and staff of Ritchie Services to discuss the plan to execute the Care and Maintenance Program and to arrange for invoicing and communications to the Interim Receiver;
- b) Negotiating the re-commencement of the water quality testing and reporting by Testmark Laboratories Ltd.;
- c) Contacting WSP Canada Inc., Sage's independent engineering firm that provides periodic reports to the MOE, in order to discuss the going forward plan to complete appropriate reports;
- d) Contacting certain suppliers for continued supply of consumables such as diesel fuel, oil and filters for equipment;
- e) Contacting local equipment rental companies and with assistance of a supplier representative, located, and secured an air compressor for monthly rental;
- f) Providing a copy of the Interim Receivership Order to key suppliers and creditors to advise of the appointment of Deloitte and the stay of proceedings in place for Sage;

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- g) Attending to calls with representatives of Sage's management to discuss information requests and arranging for funding of the payment of insurance from Sage's bank accounts;
- h) In conjunction with its counsel, the Interim Receiver responded to the counsel to Ritchie Services to consent to the issuance of a Statement of Claim to perfect its claim under the *Construction Lien Act*;
- i) Monitoring Ritchie Services' physical count of capital assets, inventory key supplies above and below ground (including explosives, fuels, chemicals, and waste);
- j) Monitoring the operations, security and Care and Maintenance Program on-site and assessing the effectiveness of the monitoring and testing procedures being carried out at the Clavos Property;
- k) Collecting approximately \$24,000 related to an amount due for scrap sold to waste company pursuant to the Interim Receivership Order;
- l) Reviewing the geological data and core samples being stored on-site and on the server and monitored the back-up procedures undertaken by Ritchie Services personnel to secure the mine data for Sage; and
- m) Posting the Interim Receivership Order, together with related Court documents and Deloitte's report as proposed receiver dated July 12, 2018 to the Interim Receiver's website at [www.insolvencies.deloitte.ca/en-ca/sage](http://www.insolvencies.deloitte.ca/en-ca/sage).

### **Interim Receiver's Receipts and Disbursements**

21. The receipts and disbursements of the Interim Receiver from the period of July 13, 2018 to July 25, 2018 are summarized in the Interim Receiver's Interim Statement of Receipts and Disbursements as

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shown in **Appendix “B”**. It should be noted that the Company’s receipts and disbursements have not been included in this statement.

22. As of the Interim Receivership Order, Sage had \$13,359.19 and \$421.54 in its two operating accounts. Based on the information provided by Sage, the following banking transactions have occurred:

- a) On July 17, 2018, Sage collected an HST refund of \$42,799.07;
- b) Since July 13, 2018, Sage has incurred \$43.79 in overdraft interest; and
- c) A cheque for \$6,738.59 issued prior to the interim receivership cleared the bank, which was in respect of Sage’s employee source deductions for the payroll period ending July 15, 2018.

23. As of the date of this Report, Sage has approximately \$49,000 in its accounts.

#### **INTERIM RECEIVER’S OBSERVATIONS**

24. The activities of the Interim Receiver and the interim funding provided by CRH have been instrumental in preserving and protecting the Property.

25. Sage continues to face severe liquidity issues and has no apparent funding available.

26. The purpose of the proposed receivership proceedings and the appointment of Deloitte as Receiver is to complete the process of placing the Clavos Property on care and maintenance and for the Receiver to develop a process that would lead to the sale of all or part of the Property and maximize recoveries.

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All of which is respectfully submitted at Toronto, Ontario this 26<sup>th</sup> day of July, 2018.

**Deloitte Restructuring Inc.,**  
solely in its capacity as the  
Interim Receiver of  
Sage Gold Inc., and not in its personal capacity



Per:

Philip J. Reynolds, CPA, CA, CIRP, LIT  
Senior Vice-President



Per:

Rob Biehler, CPA, CA, CIRP, LIT  
Senior Vice-President

## Appendix "A"

Court File No. CV-18-601307-00CL

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

THE HONOURABLE MISTER	)	FRIDAY, THE 13TH
	)	
JUSTICE HAINEY	)	DAY OF JULY, 2018



**CRH FUNDING II PTE. LTD.**

Applicant

- and -

**SAGE GOLD INC.**

Respondent

**ORDER**  
**(Appointing an Interim Receiver)**

THIS APPLICATION made by the Applicant for an Order pursuant to section 47 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 Deloitte Restructuring Inc. as an interim receiver ("Deloitte" or, in such capacities, the "Receiver") without security, of all of the assets, undertakings and properties of Sage Gold Inc. (the "Debtor") acquired for, or used in relation to a business carried on by the Debtor, was heard this day at 330 University Avenue, Toronto, Ontario.

THIS ORDER is rendered without prejudice to the respective positions of the parties on the merits of the Receivership Application filed by the Applicant on July 10, 2018 pursuant to section 243 of the BIA, and any of the relief therein.

ON READING the affidavit of Andrew Wehrley sworn July 10, 2018, the Exhibits thereto and the Supplemental Affidavit of Andrew Wehrley sworn July 12, 2018 and on hearing the submissions of counsel for the Applicant, counsel for the Debtor, no one else appearing although duly served as appears from the affidavits of service of Amy Sevigny sworn July 12, 2018 and on reading the consent of Deloitte 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 47 of the BIA and section 101 of the CJA, Deloitte is hereby appointed Receiver, without security, of all of the assets, undertakings and properties of the Debtor acquired for, or used in relation to a business carried on by the Debtor, 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 cash, receipts and disbursements arising out of or from the Property;
- (b) to monitor, preserve, and protect the Property, or any part or parts thereof, 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;



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- (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 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;
- (e) to receive and collect all monies and accounts now owed or hereafter owing to the Debtor and to exercise all remedies of the Debtor in collecting such monies, including, without limitation, to enforce any security held by the Debtor, provided, however that funds held by the Debtor, as of the date of this Order, shall only be used as determined by the Receiver in consultation with the Debtor;
- (f) 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;
- (g) 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 Debtor; and
- (h) 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 Debtor, and without interference from any other Person.

#### **DUTY TO PROVIDE ACCESS AND CO-OPERATION TO THE RECEIVER**

4. THIS COURT ORDERS that (i) the Debtor, (ii) all of its 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 Debtor, 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, for the purpose of preserving and protecting the property 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.

#### **NO PROCEEDINGS AGAINST THE RECEIVER**

7. 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 DEBTOR OR THE PROPERTY**

8. THIS COURT ORDERS that no Proceeding against or in respect of the Debtor 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 Debtor or the Property, including the proceedings commenced by Toromont Industries Ltd., carrying on business as Battlefield Equipment Rentals, against the Debtor and the Applicant before the Ontario Superior Court of Justice in the Court file number CV-18-00000097-0000, are hereby stayed and suspended pending further Order of this Court, and that any Proceedings seeking to challenge the validity of the Applicant's claim against the Debtor or priority of the Applicant's security interest against its Property shall be brought before this Court, in the context of the present receivership proceedings.

#### **NO EXERCISE OF RIGHTS OR REMEDIES**

9. THIS COURT ORDERS that all rights and remedies against the Debtor, 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 Debtor to carry on any business which the Debtor is not lawfully entitled to carry on, (ii) exempt the Receiver or the Debtor 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**

10. 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 Debtor, without written consent of the Receiver or leave of this Court.

**CONTINUATION OF SERVICES**

11. THIS COURT ORDERS that all Persons having oral or written agreements with the Debtor 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 Debtor 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 Debtor's 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 Debtor 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**

12. 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**

13. THIS COURT ORDERS that all employees of the Debtor shall remain the employees of the Debtor. 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**

14. 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 Debtor, and shall return all other personal information to the Receiver, or ensure that all other personal information is destroyed.

**LIMITATION ON ENVIRONMENTAL LIABILITIES**

15. 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. The Receiver shall be deemed not to have taken possession of any of the Property for the purposes of Environmental Legislation for the first 10 days after the date of this order while it assesses the environmental condition of the Property and the requirements for completing the process of placing the Debtor's mines on care and maintenance. The Receiver will have the option of abandoning all or any part of the Property at any time upon filing a certificate with this court so certifying and describing the abandoned Property, all without prejudice to the Debtor's interest in such property and rights and interests of creditors to the abandoned Property and all such rights and interests are expressly reserved.

#### **LIMITATION ON THE RECEIVER'S LIABILITY**

16. 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**

17. 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.

18. 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.

- (a) 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.
- (b) THIS COURT ORDERS that Ormston List Frawley's rights to seek payment of its professional fees and disbursements from the estate of the Debtor is expressly reserved, without prejudice to the rights of any part to oppose the payments of such fees.

#### **FUNDING OF THE RECEIVERSHIP**

19. 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 \$1,000,000 (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.

20. 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.

21. 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.

22. 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**

23. 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.

24. 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 Debtor 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**

25. 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.

26. THIS COURT ORDERS that nothing in this Order shall prevent the Receiver from acting as a trustee in bankruptcy of the Debtor.

27. 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.

28. 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.

29. THIS COURT ORDERS that the Applicant shall have its costs of this motion, up to and including entry and service of this Order, provided for by the terms of the Plaintiff's security or, if not so provided by the Plaintiff's security, then on a substantial indemnity basis to be paid by the Receiver from the Debtor's estate with such priority and at such time as this Court may determine.

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30. 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.

A handwritten signature in blue ink, appearing to read "Heiney", is written over a horizontal line. The signature is stylized and extends to the right of the line.

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

JUL 13 2018

PER / PAR: *RW*

**SCHEDULE "A"**  
**RECEIVER CERTIFICATE**

CERTIFICATE NO. \_\_\_\_\_

AMOUNT \$ \_\_\_\_\_

1. THIS IS TO CERTIFY that Deloitte Restructuring Inc., the receiver (the "**Receiver**") of the assets, undertakings and properties Sage Gold Inc. acquired for, or used in relation to a business carried on by the Debtor, including all proceeds thereof (collectively, the "**Property**") appointed by Order of the Ontario Superior Court of Justice (Commercial List) (the "**Court**") dated the \_\_\_ day of \_\_\_\_\_, 2018 (the "**Order**") made in an application 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 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.

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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 \_\_\_\_\_, 2018.

DELOITTE RESTRUCTURING INC., solely in  
its capacity as Receiver of the Property, and not  
in its personal capacity

Per: \_\_\_\_\_

Name:

Title:

**CRH FUNDING II PTE. LTD.**  
Applicant

**SAGE GOLD INC.**  
and Respondent

Court File No.: CV-18-601307-00CL

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST**

Proceeding commenced at Toronto

**ORDER (APPOINTING AN  
INTERIM RECEIVER)**

**STIKEMAN ELLIOTT LLP**  
Barristers & Solicitors  
5300 Commerce Court West  
199 Bay Street  
Toronto, Canada M5L 1B9

Guy Martel  
Tel: (514) 397-3163  
Email: [gmartel@stikeman.com](mailto:gmartel@stikeman.com)

Kathryn Esaw LSUC#58264F  
Tel: (416) 869-6820  
Email: [kesaw@stikeman.com](mailto:kesaw@stikeman.com)

Lawyers for the Applicant

**In the Matter of the Interim Receivership  
of Sage Gold Inc.  
Interim Receiver's Interim Statement of Receipts and Disbursements  
For the period July 13 to July 25, 2018**

	25-Jul	<b>Note</b>
<b>Receipts</b>		
Scrap sales	\$ 24,052	(1)
Other cash receipts	-	
Receiver's Certificate	170,000	
<b>Total Receipts</b>	<b>\$ 194,052</b>	
<b>Disbursements</b>		
Clavos mine expenses		
R Ritchie Service - manpower	37,314	
Mine operating expenses	11,898	(2)
Equipment lease / rental	30,600	
Head office / admin expenses		
GST/HST Paid	9,725	
Bank Charges	64	
<b>Total Disbursements</b>	<b>\$ 89,601</b>	
<b>Excess of Receipts and Disbursements</b>	<b>\$ 104,452</b>	

(1) The scrap sale relates to the sale of materials prior to interim receivership

(2) The mine operating expenses relates to Testmark Laboratories Ltd. for water testing to comply with the environmental regulations and to Martin Fuels for delivering fuels to the Clavos Mine.



Court File No. 18-601307-00CL

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

BETWEEN:

**CRH FUNDING II PTE. LTD.**

Applicant

- and -

**SAGE GOLD INC.**

Respondent

**FIRST REPORT OF THE RECEIVER  
DELOITTE RESTRUCTURING INC.  
DATED AUGUST 21, 2018**



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## INTRODUCTION AND PURPOSE OF REPORT

1. Pursuant to an Order (“**Receivership Order**”) of the Ontario Superior Court of Justice (Commercial List) (the “**Court**”) dated July 30, 2018 (“**Receivership Date**”), Deloitte Restructuring Inc. (“**Deloitte**”) was appointed as receiver (the “**Receiver**”) of all of the assets, undertakings and properties of Sage Gold Inc. (“**Sage**” or the “**Company**”) acquired for, or used in relation to business carried on by Sage (the “**Property**”) pursuant to section 243 of the *Bankruptcy and Insolvency Act* (Canada), 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-43 (“**CJA**”) . A copy of the Receivership Order is attached hereto as **Appendix “A”**.
2. The application for the appointment of Deloitte as the Receiver pursuant to section 243 of the BIA and section 101 of the CJA over the Property made on July 13, 2018 by CRH Funding II Pte. Ltd (“**CRH**”), the senior secured creditor of the Respondent, was opposed by the Company. At that time, the Court found it appropriate in the circumstances to make an Order for the appointment of Deloitte as an interim receiver under Section 47 of the BIA (“**Interim Receivership Order**”) pending resolution of the Company’s opposition to the appointment at a subsequent hearing. On July 30, 2018, Mr. Justice Dunphy heard arguments from CRH, Deloitte (as interim receiver) and the Company, ultimately granting the Receivership Order. A copy of the Interim Receivership Order is attached hereto as **Appendix “B”**.
3. Sage is a publically traded company headquartered in Toronto, Ontario, with its common shares listed on the TSX Venture Exchange under the symbol “**SGX**”. Sage is primarily engaged in the exploration of gold in Ontario, Canada. Its main properties consist of the Clavos property (the “**Clavos Property**”) located near Timmins and the Onaman property northeast of Thunder Bay (the “**Onaman Property**”), each as more fully described in the affidavit of Andrew Wehrley dated July 10, 2018.

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4. Deloitte previously issued two reports to the Court in these proceedings. Attached hereto is the Report of the Proposed Receiver (without appendices) and Report of the Interim Receiver (without appendices) as **Appendix “C”** and **“D”**, respectively.
5. The Clavos Property has been developed by Sage (and the prior owner) as a producing gold mine. The mine has been developed with an underground ramp access to 300 meter level and the surface has infrastructure including, an office and staff facility, first aid trailer, core cutting shed and a shop building.
6. The Onaman Property is an exploration property and does not have any infrastructure. The Receiver has not attended on this site, as attending was not required to preserve this property.
7. The Receivership Order authorized the Receiver to, among other things, take possession of, and exercise control over the Property and any and all proceeds, receipts and disbursements, arising out of, or from, the Property.
8. The Receivership Order, together with related Court documents, the Notice to Creditors and this report (the **“First Report”**) have been posted on the Receiver’s website at: [www.insolvencies.deloitte.ca/en-ca/sagegoldinc](http://www.insolvencies.deloitte.ca/en-ca/sagegoldinc) .
9. The purpose of this First Report is to:
  - a. Provide this Honourable Court with an update on the Receiver’s activities and the administration of the receivership since its appointment; and
  - b. Respectfully recommend that this Honourable Court make orders:
    - i) Approving the sales and investment solicitation process (the **“SISP”**) proposed and developed by the Receiver and its legal counsel in consultation with CRH and its legal counsel in respect of the Property and authorizing and directing the Receiver, including through its affiliate, Deloitte

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Corporate Finance Inc. (“**DCFI**”), to take all steps and actions necessary to implement, conduct and carry-out the SISP.

- ii) Approving the Receiver’s Interim Statement of Receipts and Disbursements for the period from July 13, 2018 to August 17, 2018;
- iii) Approving the activities of the Receiver since July 13, 2018; and
- iv) Providing such other relief that this Honourable Court considers just and warranted in the circumstances.

10. Unless otherwise stated, all dollar amounts contained in this First Report are expressed in Canadian dollars.

11. Unless otherwise provided, all other capitalized terms not otherwise defined in this First Report are as defined in the Receivership Order or the Report of the Interim Receiver.

## **TERMS OF REFERENCE**

12. In developing this First Report, the Receiver has relied upon unaudited financial information prepared by the Company’s management (“**Management**”), the Company’s books and records and discussions with its management. The Receiver has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the information in a manner that would wholly or partially comply with Generally Accepted Assurance Standards pursuant to be the *Chartered Professional Accountants Canada Handbook* and, accordingly, the Receiver expresses no opinion or other form of assurance in respect of the information.

## **RECEIVER’S ACTIVITIES**

### ***Taking possession and safeguarding assets***

13. The Receiver has undertaken the following activities in accordance with the terms of the Receivership Order:

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Toronto Head Office

- a. attended the Company's premises at 67 Yonge Street, Unit 808 in Toronto and took possession of the books and records;
- b. met with Sage's former Chief Financial Officer and the former accounts payable administrator (the only remaining employees of Sage) on-site to advise them of the appointment of the Receiver and, pursuant to paragraph 14 of the Receivership Order, delivered notices of termination of their employment by the Company;
- c. ensured access to the building was restricted only to those individuals engaged or authorized by the Receiver;
- d. arranged for the backing up of Sage's computer cloud system and revoked the access of all non-authorized users;
- e. engaged two former employees as independent contractors to assist the Receiver with certain activities including to prepare a listing of known creditors, Records of Employment and T4 slips, to bring the books and records of Sage up to date, to file the HST and other statutory returns, to preserve the books and records, complete a listing of Sage's records held offsite and attended other additional matters as they arose from time to time;
- f. arranged for a complete inventory to be made of the Company's assets at the head office and arranged for a walk through and informal appraisal of the assets, net of moving costs;
- g. made arrangements for the continuation of services with the existing off-site storage provider;
- h. provided Sage and its counsel with notice that it intended to terminate Sage's interest in the premises lease;

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- i. contacted Davpart Inc. (the “**Landlord**”) to obtain a copy of the head office lease and issued receivership notification to terminate the lease effective August 16, 2018 and requested an accounting for occupation rent; and
- j. responded to inquiries made by several creditors with outstanding invoices related to pre-receivership period.

#### Clavos Property

- k. attended the Clavos Property and took possession of the Company’s assets located there;
- l. made arrangements for continuation of services with utilities and other service providers including in respect of electricity, telephone and internet;
- m. arranged for a complete inventory to be made of the Company’s equipment and inventory located underground at various levels and on the surface;
- n. made arrangements with the mine manager and staff of Ritchie Services regarding staffing, billing arrangements and communications with representatives of the Receiver;
- o. arranged for continued environmental testing and commissioning of regulatory and compliance reporting provided by Testmark Laboratories Ltd. and WSP Canada Inc.;
- p. made arrangements with certain suppliers for continued supply of consumables such as diesel fuel, water treatment chemicals, oil and filters for equipment.
- q. contacted companies that rented pumping equipment to Sage in order to reconcile the status of the accounts, identify pumps being utilized in the dewatering process in order to determine the expenses related the Receiver’s activities.

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- r. issued receivership notification to suppliers and creditors or any other party who may have had Sage's property in their possession, of the appointment of Deloitte as the Receiver and the stay of proceedings;
- s. coordinated with the management to obtain a list of Company's independent contractors and consultants to advise of the receivership and to release Sage's books and records in their possession to the Receiver;
- t. continued monitoring the security and maintenance activities, movement of underground mining equipment to surface, dewatering activities related to with the Care and Maintenance Program on-site and continued assessing the effectiveness of the monitoring and testing procedures being carried out at the Clavos Property by representatives of Ritchie Services;
- u. ensured that backing up of electronic data at Clavos Property which was undertaken by Ritchie Services personnel and monitored by a representative of Deloitte;
- v. reviewing geological data, resource calculations, core sample inventory and drilling records and interviewing former independent contractors and representatives of Ritchie Services were undertaken by Receiver's staff with geotechnical and mining expertise;
- w. continued communication with representatives of provincial government Ministries to provide information regarding the current status of Sage's compliance with applicable laws and requirements, the environmental condition of the mine and potential steps to mitigate environmental risks at the Clavos Property through the receivership proceedings.

#### Other Activities of the Receiver

13. The Receiver completed the following activities since its appointment:

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- a. established the Receiver's website and issued the Notice and Statement of Receiver pursuant to subsections 245(1) and 246(1) of the BIA. A copy of the notice is attached hereto as **Appendix "E"**. The prescribed notice pursuant to Section 245(2) also been provided to the Office of the Superintendent of Bankruptcy;
- b. notified the Company's bank, Royal Bank of Canada, of its appointment and requested all accounts be frozen for deposit only. The Receiver arranged for the opening of new bank accounts to facilitate future receipts and disbursements with respect to the administration of the receivership;
- c. informed the Canada Revenue Agency ("**CRA**") of the receivership and requested the establishment of a new HST account for the post-receivership period and audits of the pre-receivership HST and payroll accounts of Sage;
- d. provided notice of the Receiver's appointment to Hub International HKMB, the Company's insurance broker, who arranged for continued insurance coverage through the Company's insurer, Chubb Insurance Co. of Canada ("**Chubb**"). Additionally, the Receiver requested to be added as named insured and loss payee on the Company's policies with Chubb; and
- e. registered with Service Canada and calculated the *Wage Earner Protection Program Act* ("**WEPPA**") claims for the only former employee and forwarded the appropriate information to Service Canada.

#### ***Environmental and Regulatory Matters***

14. Representatives of the Receiver and its legal counsel have continued to conduct regular conference call meetings with representatives of the Ministry of Environment, Conservation and Parks ("**MOECP**") and the Ministry of Northern Development, Mines and Forestry ("**MNDMF**"), collectively referred to as



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“**Ministries**”, in order to assess the current status of the Clavos Property, environmental compliance and risks associated with the Clavos Property and collect copies of relevant current records and other matters.

15. Further to the Receiver’s discussions with the Ministries and its own due diligence, and subject to available financing, the Receiver has developed a go forward plan which involves placing mining activity at the Clavos Property on temporary suspension, and has shared this plan with the Ministries.
16. The Receiver contacted two licensed companies that have the capability to inspect, remove and transport explosive materials in order to remove the existing materials on-site and in this regard, the Receiver has prepaid for this service with the incumbent supplier. The supplier is scheduling an inspection and appropriate steps will commence within two weeks of the date of this Report.
17. The Receiver engaged a licensed contractor to inspect and pump the septic tank system at Clavos Property. The location of the septic bed has been flagged and marked.
18. A representative of the Receiver with appropriate technical qualifications reviewed the latest laboratory test results for water quality of the discharge and the latest reports by WSP in order to confirm water quality and volumes being discharged were within normal levels.

#### **INTERIM FUNDING**

19. To date, CRH has provided \$549,000 in funding through Receiver’s Certificates which has been utilized in the Care and Maintenance Program and in the receivership administration.
20. The Receiver has been working with CRH representatives to establish the budget and reporting processes in the receivership proceeding. Representatives of CRH have attended conference calls to review the actual expenditures and to discuss the forecasted expenditures.

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21. As noted in previous reports the funding of the Care and Maintenance Program will be principally funded by Receiver's Certificates.

#### **RECEIVER'S INTERIM RECEIPTS AND DISBURSEMENTS**

22. Attached as **Appendix "F"** is the Interim Statement of Receipts and Disbursements for the period July 13, 2018 to August 17, 2018 (the "**Interim R&D**"). As at August 17, 2018, the closing cash balance was approximately \$483,000.

#### **PROPOSED SALE AND INVESTOR SOLICITATION PROCESS**

23. The Receiver and its legal counsel have developed the SISP with respect to the marketing and sale of the Property and solicitation of investment proposals from interested parties. A copy of the SISP is attached hereto as **Appendix "G"**. The Receiver is of the view that it is necessary to execute the SISP to properly market the Company's Property and is seeking approval from this Honourable Court to approve the SISP.

24. The following is a summary of the key components of the SISP (to be undertaken by the Receiver and its affiliate):

- a. the Receiver, including through its affiliate, DCFI, shall conduct the Solicitation Process as defined in the SISP;
- b. as soon as reasonably practicable after the granting of an Order approving the SISP, the Receiver shall issue a press release announcing this SISP;
- c. the Receiver, will prepare a list of potential bidders in respect of a Sale or an Investment in Sage (the "**Known Potential Bidders**"). The Secured Creditor may identify any parties to the Receiver which shall be included in the list of Known Potential Bidders;

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- d. the Receiver, will prepare an initial offering summary (the “**Teaser Letter**”) notifying prospective buyers of the existence of the SISP and inviting such parties to enter into a confidentiality agreement (“**Confidentiality Agreement**”) in order to receive further information;
- e. following the execution of a Confidentiality Agreement and submission of documentation to the Receiver demonstrating that a party has the financial and other capabilities to consummate a Sale or an Investment in Sage, that party shall be deemed to be a potential bidder (“**Potential Bidder**”);
- f. the Receiver, based on the criteria set out in the SISP, will make a determination as to whether a Potential Bidder is a “**Qualified Phase 1 Bidder**” as promptly as practicable, but not later than five (5) Business Days after a Potential Bidder delivers all of the materials required. The Receiver will promptly notify the Potential Bidder that it is a Qualified Phase 1 Bidder;
- g. the Receiver will establish an electronic data room containing detailed relevant information related to Sage Property for sale and the debt and equity interests in Sage;
- h. the Receiver will make due diligence materials and information relating to the Sage Property and the debt and equity interests in Sage available to Potential Bidders as the Receiver deems appropriate;
- i. Qualified Phase I Bidders interested in submitting non-binding indications of interest to acquire all, or substantially all of the Sage Property or to invest in Sage (each a “**Non-Binding Indication of Interest**”) must deliver a Non-Binding Indication of Interest to the Receiver by 5:00 p.m. (Toronto time) on September 28, 2018, or such later date or time as the Receiver may determine appropriate (the “**Phase 1 Bid Deadline**”);
- j. a Non-Binding Indication of Interest will be considered a “**Qualified Non-Binding Indication of Interest**” only if it is submitted by a Qualified Phase 1 Bidder, received on or before the Phase 1 Bid

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Deadline, and contains the necessary information described in the SISP, including the intention to make a Sale Proposal or to make an Investment Proposal;

- k. following the Receiver's assessment, each Qualified Phase 1 Bidder who has submitted a Qualified Non-Binding Indication of Interest may be accepted as a "**Qualified Phase 2 Bidder**". Pursuant to the SISP, if CRH executes a Confidentiality Agreement, it will be deemed to be a Qualified Phase 2 Bidder and may, upon notice to the Receiver (within 5 days of the commencement of Phase 2 of the process), participate in Phase 2 of the sales process;
- l. a Sale Proposal submitted by a Qualified Phase 2 Bidder will be considered a "**Qualified Purchase Bid**" and an Investment Proposal submitted by a Qualified Phase 2 Bidder will be considered a "**Qualified Investment Bid**" only if they comply with all of the SISP requirements;
- m. a Qualified Phase 2 Bidder must deliver a Qualified Purchase Bid or Qualified Investment Bid, (each a "**Qualified Bid**") to the Receiver by no later than 5:00 p.m. (Toronto time) on October 29, 2018, or such later date or time as the Receiver may determine appropriate (the "**Phase 2 Bid Deadline**");
- n. the Receiver will assess and consider whether the Qualified Bid(s), if any, are likely to be consummated and in the best interests of stakeholders of Sage and may select Qualified Bids for further negotiation and/or clarification of any terms or conditions before identifying the highest or otherwise best Qualified Bid(s) received (the "**Successful Bid**"). The Qualified Bidder(s) who made the Successful Bid is/are the successful bidder ("**Successful Bidder**");
- o. The Receiver, will finalize definitive agreements in respect of the Successful Bid conditional upon approval by the Court; and
- p. in the event that no Qualified Bid was received, or at least one Qualified Bid was received but it is not likely that the transactions contemplated in such Qualified Bids will be consummated, the

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Receiver shall notify the Secured Creditor within ten (10) business days of such determination and file an application with the Court seeking directions. The Secured Creditor shall have the option within five (5) business days from such determination to submit a credit bid (that would constitute a binding agreement if accepted) even if they did not submit a credit bid at any other point during Phase 1 or Phase 2, and notwithstanding the receipt of any new information regarding bids or offers after the commencement of Phase 2.

25. CRH is permitted to participate in the Solicitation Process as prescribed in the SISP. Should CRH wish to participate in the Solicitation Process, its rights to consult with the Receiver during the Solicitation Process are limited.

26. The key activities and estimated timelines of the SISP are summarized below:

Summary timelines of the SISP		
Phase/Event	Date	Description of Activities
SISP Order	August 29, 2018	➤ If authorized, the Court grants an order approving the sales process (the “ <b>SISP Order</b> ”).
Publication Notice		➤ As soon as reasonably practicable after the granting of the SISP Order, the Receiver shall issue a press release announcing the SISP.
Phase 1		<ul style="list-style-type: none"> <li>➤ Indications of Interest for the Company.</li> <li>➤ The Receiver will promptly identify and notify Qualified Phase 1 Bidders.</li> <li>➤ Qualified Phase 1 Bidders may submit Non-Binding Indications of Interest in a sale or investment in the Company.</li> <li>➤ For a period of approximately 30 days after the granting of the SISP Order.</li> </ul>
Phase 1 Bid Deadline	September 28, 2018	<ul style="list-style-type: none"> <li>➤ To occur at 5:00 pm on September 28, 2018.</li> <li>➤ All Qualified Non-Binding Indications of Interest will be considered in regard to the requirements of the SISP.</li> </ul>
Assessment of Non-Binding Indications of Interest		➤ As promptly as practicable after the Phase 1 Bid Deadline, each Qualified Non-Binding Indication of Interest will be assessed to determine whether it is a Qualified Phase 2 Bidder to move onto Phase 2.
Phase 2		<ul style="list-style-type: none"> <li>➤ Solicitation of Qualified Purchase Bid or Qualified Investment Bid.</li> <li>➤ The Secured Creditor may declare its intention to make a Qualified Purchase Bid and deliver a Bid Notice within five days of the commencement of Phase 2.</li> <li>➤ For a period of approximately 30 days following the Phase 1 Bid Deadline.</li> </ul>

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Phase 2 Bid Deadline	October 29, 2018	<ul style="list-style-type: none"> <li>➤ To occur at 5:00 pm on October 29, 2018.</li> <li>➤ A Qualified Phase 2 Bidder must deliver a Qualified Purchase Bid or Qualified Investment Bid to the Receiver prior to the Phase 2 Bid Deadline.</li> </ul>
Evaluation and Selection of the Successful Bid		<ul style="list-style-type: none"> <li>➤ Terms of all Qualified Purchase Bid or Qualified Investment Bid will be clarified.</li> <li>➤ The Receiver may select Qualified Bids for further negotiation and/or clarification of any terms or conditions of such Qualified Bids, including the amounts offered, before identifying the Successful Bid.</li> <li>➤ Upon completion of any further negotiations or clarifications, the Receiver will identify the Successful Bid and may identify a next highest or otherwise best Qualified Bid received (such offer, the "<b>Backup Bid</b>").</li> </ul>
Approval Hearing	November 12, 2018 or such other date as the Receiver may determine necessary and the Court may hear the Receiver's motion	<ul style="list-style-type: none"> <li>➤ After the Successful Bid and Backup Bid have been finalized in accordance with the SISP, the Receiver shall seek a hearing as soon as practicable on a date to be scheduled by the Court that will permit not less than two full business Days' notice to the service list (the "<b>Approval Hearing</b>") to approve the Successful Bid or the Backup Bid should the Successful Bid not close for any reason.</li> </ul>

## CONCLUSIONS AND RECOMMENDATIONS

27. We submit this First Report in support of the Receiver's motion to this Honourable Court making orders:

- a. Approving the SISP proposed and developed by the Receiver and its legal counsel in consultation with CRH and its legal counsel in respect of the Property and authorizing and directing the Receiver (including through its affiliate, DCFI) to take all steps and actions necessary to implement, conduct and carry-out the SISP.
- b. Approving the Receiver's Interim Statement of Receipts and Disbursements for the period from July 13, 2018 to August 17, 2018;
- c. Approving the activities of the Receiver since the July 13, 2018; and
- d. Providing such other relief that this Honourable Court considers just and warranted in the circumstances.

All of which is respectfully submitted at Toronto, Ontario this 21<sup>st</sup> day of August, 2018.

**Deloitte Restructuring Inc.,**  
solely in its capacity as the  
Receiver of Sage Gold Inc., and not in its personal  
capacity

A handwritten signature in blue ink, appearing to read "Biehler".

Per:

Rob Biehler, CPA, CA, CIRP, LIT  
Senior Vice-President





Court File No. CV-18-601307-00CL

**ONTARIO**  
**SUPERIOR COURT OF JUSTICE - COMMERCIAL LIST**

THE HONOURABLE

JUSTICE

*HAINES*

) ) ) )

*29th*

DAY OF AUGUST, 2018



IN THE MATTER OF RECEIVERSHIP OF SAGE GOLD INC.

and

**IN THE MATTER OF AN APPLICATION PURSUANT TO SECTION 243(1) OF  
 THE BANKRUPTCY AND INSOLVENCY ACT, R.S.C. 1985, C. B-3, AS  
 AMENDED; AND SECTION 101 OF THE COURTS OF JUSTICE ACT, R.S.O.  
 1990, C. C.43, AS AMENDED**

**ORDER**

**THIS MOTION**, made by Deloitte Restructuring Inc. in its capacity as the Court-appointed receiver pursuant to Section 243(1) of the *Bankruptcy and Insolvency Act* (“**BIA**”) and Section 101 of the *Courts of Justice Act* (the “**Receiver**”) of Sage Gold Inc. (“**Sage**”) and the Order of the Honourable Justice Dunphy dated July 30, 2018 (the “**Receivership Order**”), was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the Motion Record of the Receiver, the Factum of the Receiver and the First Report of the Receiver to the Court, dated August 21, 2018 (the “**First Report**”), and on hearing the submissions of counsel for the Receiver and counsel for CRH Funding II PTE Ltd., the principal secured creditor of Sage, and no one appearing for any other parties, although properly served as appears from the affidavit of Stephen Brown-Okruhlik dated August 22, 2018:

1. **THIS COURT ORDERS** that the time for service of the Notice of Motion and the Motion Record of the Receiver is hereby abridged and validated so that this motion is properly returnable today and hereby dispenses with further service thereof.
2. **THIS COURT ORDERS** that the Sales and Investor Solicitation Procedure, attached as Schedule "A" to this Order (the "**SISP**"), is hereby approved.
3. **THIS COURT ORDERS** that the Receiver is hereby authorized and directed to perform its obligations under the SISP, including through its affiliate, Deloitte Corporate Finance Inc., and to take any and all steps that are reasonably necessary or desirable to carry out the SISP.
4. **THIS COURT ORDERS** that Deloitte Corporate Finance Inc., as agent of the Receiver, shall incur no liability or obligation as a result of assisting the Receiver with the carrying out of the SISP or the provisions of this Order, save and except for any gross negligence or wilful misconduct on its part. Deloitte Corporate Finance Inc. shall enjoy all of the protections from liability that were granted to the Receiver under the Receivership Order in carrying out or in assisting the Receiver in carrying out the SISP and related activities.
5. **THIS COURT ORDERS** that the First Report and the actions and activities of the Receiver described therein be and hereby are approved.
6. **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.
7. **THIS COURT HEREBY REQUESTS** the aid and recognition of any other Canadian and foreign court, tribunal, regulatory or administrative body ("**Judicial Body**") to give effect to this Order and to assist the Receiver and its respective agents in carrying out the terms of this Order. All Judicial 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, to

grant representative status to the Receiver in any foreign proceeding, or to assist the Receiver and its respective agents in carrying out the terms of this Order.

A handwritten signature in cursive script, appearing to read "Haimy J.", written over a horizontal line.

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

AUG 29 2018

PER / PAR: *RW*

**SCHEDULE "A"**

## SALE AND INVESTOR SOLICITATION PROCEDURES

### SAGE GOLD INC.

#### RECITALS

- A. Pursuant to an Order (the "**Receivership Order**") granted by the Ontario Superior Court of Justice (the "**Court**") on July 30, 2018, Deloitte Restructuring Inc. was appointed as receiver (the "**Receiver**") of all of the assets, undertakings and properties of Sage Gold Inc. ("**Sage**").
- B. On ●, 2018, the Court granted an order (the "**SISP Approval Order**") approving a sale and investor solicitation process (the "**SISP**") and the SISP procedures set forth herein (these "**SISP Procedures**").
- C. The SISP Approval Order, the SISP and these SISP Procedures shall govern the process for soliciting and selecting bids for (i) the sale (a "**Sale**") of all or substantially all of the property, assets and undertakings of Sage (the "**Sage Property**"), including without limitation (a) the Clavos Property, (b) the Onaman Property; and (c) all mining equipment owned by Sage, wherever located, including at the Clavos Property; and (ii) for the restructuring, recapitalization or refinancing of Sage (an "**Investment**").
- D. All dollar amounts expressed herein, unless otherwise noted, are in Canadian currency. Unless otherwise indicated herein any event that occurs on a day that is not a Business Day shall be deemed to occur on the next Business Day.

#### ARTICLE 1 — DEFINED TERMS

In these SISP Procedures:

- (1) "**Approval Hearing**" has the meaning ascribed thereto in Section 5.8(1).
- (2) "**Backup Bid**" has the meaning ascribed thereto in Section 5.6(5).
- (3) "**Backup Bid Expiration Date**" has the meaning ascribed thereto in Section 5.6(7).
- (4) "**Backup Bidder**" has the meaning ascribed thereto in Section 5.6(5).
- (5) "**Bid Notice**" has the meaning ascribed to it in Section 4.3(5).
- (6) "**Business Day**" means any day other than (i) a Saturday or Sunday or (ii) a day which is a statutory holiday in Toronto, Ontario.
- (7) "**Clavos Project**" means the Clavos mining, exploration and development project described in the Wehrley Affidavit.
- (8) "**Clavos Property**" means: (i) the area located about 46 kilometres northeast of Timmins, Ontario, and centred at 514000 E and 5384000 N in NAD83, Zone 10, presently consisting of 73 contiguous leased and/or patented claims, unpatented claims and mining leases covering 2,540 hectares, as further described in **Schedule "A"** hereto; (ii) and any and all real property interests, mineral claims, mineral leases, and any related rights, concessions or interests, owned or in respect of which an interest is held in respect of the Clavos Project, directly or indirectly, by Sage and includes all buildings, structures, improvements, appurtenances and fixtures thereon or attached thereto, whether created privately or by the action of any governmental authority; (iii) any term extension, renewal, replacement, conversion or substitution of any such real property interests, mineral claims, mineral leases, and any related rights, concessions or interests, owned or in respect of which an interest is held, directly or indirectly, by Sage; and (iv) and all other

present and after-acquired real or personal property or other assets and rights (including water rights and surface rights) of Sage in respect of the Clavos Project.

- (9) "**Court**" has the meaning ascribed thereto in Recital A.
- (10) "**Confidentiality Agreement**" has the meaning ascribed thereto in Section 2.4(2).
- (11) "**CRH**" means CRH Funding II PTE Ltd.
- (12) "**Definitive Investment Agreement**" has the meaning ascribed thereto in Section 5.3(a).
- (13) "**Deposit**" has the meaning ascribed thereto in Section 5.2(i).
- (14) "**Form of Purchase Agreement**" means the form of purchase and sale agreement to be developed by the Receiver and provided to Qualified Phase 2 Bidders that submitted a Qualified Non-Binding Indication of Interest that is a Sale Proposal prior to the Phase 1 Bid Deadline.
- (15) "**GPA**" means that Gold Prepayment Agreement entered into between CRH and Sage on November 17, 2016.
- (16) "**Investment**" has the meaning ascribed thereto in Recital C.
- (17) "**Investment Proposal**" has the meaning ascribed thereto in Section 2.5(1)(c)).
- (18) "**Known Potential Bidders**" has the meaning ascribed thereto in Section 2.4(1).
- (19) "**New Potential Bidder**" has the meaning ascribed thereto in Section 2.4(1).
- (20) "**Non-Binding Indication of Interest**" has the meaning ascribed thereto in Section 4.1(1).
- (21) "**Onaman Project**" means the Onaman mining, exploration and development project described in the Wehrley Affidavit.
- (22) "**Onaman Property**" means: (i) the area located about 50 kilometres east from Beardmore-Geraldton Gold Camp, in the Thunder Bay Mining Division, Coughlan Lake area at 42 East13/Southeast, consisting of seven claims and two leases, as further described in **Schedule "A"** hereto, (ii) any and all real property interests, mineral claims, mineral leases, and any related rights, concessions or interests, owned or in respect of which an interest is held therein, directly or indirectly, Sage and includes all buildings, structures, improvements, appurtenances and fixtures thereon or attached thereto, whether created privately or by the action of any governmental authority; (iii) any term extension, renewal, replacement, conversion or substitution of any such real property interests, mineral claims, mineral leases, and any related rights, concessions or interests, owned or in respect of which an interest is held, directly or indirectly, by Sage and (iv) and all other present and after-acquired real or personal property or other assets and rights (including water rights and surface rights) of Sage in respect of the Onaman Project.
- (23) "**Phase 1 Bid Deadline**" has the meaning ascribed thereto in Section 4.1(2).
- (24) "**Phase 2 Bid Deadline**" has the meaning ascribed thereto in Section 5.1.
- (25) "**Potential Bidder**" has the meaning ascribed thereto in Section 2.5(1).
- (26) "**Potential Bidder Deadline**" has the meaning ascribed thereto in Section 2.5(1).
- (27) "**Purchase Price**" has the meaning ascribed thereto in Section 5.2(b).

- (28) "**Qualified Bidder**" has the meaning ascribed thereto in Section 5.4(1).
- (29) "**Qualified Bids**" has the meaning ascribed thereto in Section 5.4(1).
- (30) "**Qualified Investment Bid**" has the meaning ascribed thereto in Section 5.3.
- (31) "**Qualified Non-Binding Indication of Interest**" has the meaning ascribed thereto in Section 4.2(1).
- (32) "**Qualified Phase 1 Bidder**" has the meaning ascribed thereto in Section 2.5(2).
- (33) "**Qualified Phase 2 Bidder**" has the meaning ascribed thereto in Section 4.3(4).
- (34) "**Qualified Purchase Bid**" has the meaning ascribed thereto in Section 5.2.
- (35) "**Receiver**" has the meaning ascribed thereto in Recital A.
- (36) "**Receivership Order**" has the meaning ascribed thereto in Recital A.
- (37) "**Sage**" has the meaning ascribed thereto in Recital A.
- (38) "**Sage Property**" has the meaning ascribed thereto in Recital C.
- (39) "**Sale**" has the meaning ascribed thereto in Recital C.
- (40) "**Sale Proposal**" has the meaning ascribed thereto in Section 2.5(1)(c).
- (41) "**Secured Claims Amount**" means the aggregate amount owing (whether for principal, interest, fees and recoverable expenses) to the Secured Creditor, as at the date which the transactions contemplated by the Qualified Bid or Successful Bid, if any, are completed, under the GPA and validly secured by the Sage Property, all as determined by the Receiver, Court or other court of competent jurisdiction.
- (42) "**Secured Creditor**" means CRH or any purchaser or assignee of the GPA related security documents and indebtedness outstanding thereunder.
- (43) "**Secured Creditor Consultation Rights**" has the meaning ascribed to it in Section 5.7.
- (44) "**SISP**" has the meaning ascribed thereto in Recital B.
- (45) "**SISP Approval Order**" has the meaning ascribed thereto in Recital B.
- (46) "**SISP Procedures**" has the meaning ascribed thereto in Recital B.
- (47) "**Solicitation Process**" has the meaning ascribed thereto in Section 2.1(1).
- (48) "**Successful Bid**" has the meaning ascribed thereto in Section 5.6(5).
- (49) "**Successful Bidder**" has the meaning ascribed thereto in Section 5.6(5).
- (50) "**Target Closing Date**" means November 19, 2018.
- (51) "**Teaser Letter**" has the meaning ascribed thereto in Section 2.4(1).

- (52) "**Wehrley Affidavit**" means the Affidavit of Andrew Wehrley sworn on July 10, 2018 in support of the appointment of the Receiver.

## ARTICLE 2 — SOLICITATION

### Section 2.1 Solicitation Process

(1) These SISP Procedures describe, among other things, the Sage Property available for sale, the opportunity for an investment in Sage, the debts and equity interests of Sage, the manner in which prospective bidders may gain access to or continue to have access to due diligence materials concerning Sage, the Sage Property, the manner in which bidders and bids become Qualified Bidders and Qualified Bids, respectively, the receipt and negotiation of bids received, the ultimate selection of one or more Successful Bids and a Backup Bid (if a Backup Bid is identified in accordance with these SISP Procedures), and the approval thereof by the Court (collectively, the "**Solicitation Process**").

(2) The Receiver (including through its affiliate, Deloitte Corporate Finance Inc.) shall conduct the Solicitation Process as outlined herein. In the event that there is a disagreement or clarification required as to the interpretation or application of these SISP Procedures, the Court will have the jurisdiction to hear such matter and provide directions, upon application of the Receiver, or any other party, with a hearing on no less than five (5) Business Days notice.

### Section 2.2 Sale and Investment Opportunity

These SISP Procedures provide for (i) a sale of all or part of the Sage Property, and (ii) an investment in Sage to be structured in a manner acceptable to the Receiver.

### Section 2.3 "As Is, Where Is"

Any Sale or Investment will be on an "as is, where is" basis and without surviving representations, warranties, covenants or indemnities of any kind, nature, or description by the Receiver or Sage or any of their agents, estates, advisors, professionals or otherwise, except to the extent set forth in the relevant agreement with the Successful Bidder.

### Section 2.4 Solicitation of Interest

(1) As soon as reasonably practicable after the granting of the SISP Approval Order, the Receiver, will prepare a list of potential bidders in respect of a Sale or Investment (the "**Known Potential Bidders**"). The Secured Creditor may on a timely basis identify any parties to the Receiver which shall be included in the list of Known Potential Bidders. Concurrently, the Receiver, will prepare an initial offering summary (the "**Teaser Letter**") notifying Known Potential Bidders of the existence of the Solicitation Process and inviting the Known Potential Bidders to express their interest in participating in a Sale or an Investment.

(2) Promptly after preparation of the Known Potential Bidders list and the Teaser Letter, the Receiver shall distribute to the Known Potential Bidders the Teaser Letter and a form of confidentiality agreement satisfactory to the Receiver (a "**Confidentiality Agreement**"). The Receiver shall also issue a press release announcing this SISP.

### Section 2.5 Participation Requirements

(1) Unless otherwise provided for herein, ordered by the Court or agreed by the Receiver, in order to participate in the Solicitation Process and be considered for qualification as a Qualified Phase I Bidder, an interested party (a "**Potential Bidder**") must deliver the following:

- (a) an executed Confidentiality Agreement, which shall inure to the benefit of any purchaser of any part of the Sage Property or any investor in Sage;



- (b) a letter setting forth the identity of the Potential Bidder, the contact information for such Potential Bidder, full disclosure of the direct and indirect owners of the Potential Bidder and their principals;
- (c) an indication of whether the Potential Bidder is offering to (i) acquire all or substantially all of the Sage Property (a "**Sale Proposal**"); or (ii) make an investment in Sage (an "**Investment Proposal**"); and
- (d) a written acknowledgment of receipt of a copy of the SISP Approval Order (including these SISP Procedures) and agreeing to accept and be bound by the provisions contained therein.

(2) A Potential Bidder will be deemed a "**Qualified Phase 1 Bidder**" if: (a) such Potential Bidder has satisfied all of the requirements described in Section 2.5(1) above; and (b) such Potential Bidder's financial information and credit support or enhancement demonstrate to the satisfaction of the Receiver in its reasonable business judgment, the financial capability of such Potential Bidder to consummate a transaction and that such Potential Bidder is likely (based on availability of financing, experience and other considerations) to consummate either a Sale or an Investment. Notwithstanding the requirements set out in Section 2.5(1)(a) to (d), the Receiver may designate any Potential Bidder as a Qualified Phase I Bidder. Upon executing the Confidentiality Agreement, the Secured Creditor shall be deemed to be a Qualified Phase I Bidder.

(3) The determination as to whether a Potential Bidder is a Qualified Phase 1 Bidder pursuant to Section 2.5(2) will be made as promptly as practicable after a Potential Bidder delivers all of the materials required above. If it is determined that a Potential Bidder is a Qualified Phase 1 Bidder, the Receiver will promptly notify the Potential Bidder that it is a Qualified Phase 1 Bidder.

(4) If it is determined in accordance with Section 2.5(2) above, that there are no Qualified Phase 1 Bidders and that, as a consequence, proceeding with these SISP Procedures is not in the best interests of Sage or its stakeholders, the Receiver shall notify the Secured Creditor forthwith, and within five (5) Business Days of such determination, file an application with the Court seeking directions with respect to the conduct of the SISP.

### **ARTICLE 3 — DUE DILIGENCE**

(1) As soon as practicable after the determination that a party is a Qualified Phase I Bidder, the Receiver will make available to such Qualified Phase 1 Bidder in a secure online electronic data room confidential due diligence information that is in the possession and control of the Receiver regarding (i) the Sage Property available for sale, and (ii) the debt and equity interests in Sage. At the request of a Qualified Phase 1 Bidder, such confidential due diligence information shall also be provided on a confidential basis to a proposed lender of such Qualified Phase I Bidder that is reasonably acceptable to the Receiver.

(2) Each Qualified Phase 1 Bidder shall have such access to due diligence materials, on-site inspections and information relating to the Sage Property, and other information as the Receiver deems appropriate in its discretion.

(3) The Receiver shall not be obligated to furnish any due diligence materials or information after the Phase 2 Bid Deadline.

(4) Without limiting the generality of any term or condition of any confidentiality agreement between the Receiver and any Potential Bidder, Qualified Phase 1 Bidder, Qualified Phase 2 Bidder, Successful Bidder or Backup Bidder, unless otherwise agreed by the Receiver or by further order of the Court, no Potential Bidder, Qualified Phase 1 Bidder, Qualified Phase 2 Bidder, Successful Bidder or Backup Bidder shall be permitted to have any discussions with any counterparty to any contract with Sage, any

current or former director, officer or employee of Sage, or with any regulatory authority responsible for Sage or any of their businesses or any other Potential Bidder, Qualified Phase I Bidder or Qualified Phase 2 Bidder in connection with a Non-Binding Indication of Interest or any other bid submitted in accordance with the terms hereof or in contemplation thereof

(5) The Receiver is not responsible for, and will have no liability with respect to, any information obtained by any Known Potential Bidder, Potential Bidder or Qualified Bidder in connection with the Sage Property, a Sale or Investment. The Receiver does not make any representations or warranties whatsoever as to the information or the materials provided, except, to the extent the representations or warranties are contained in any definitive sale or investment agreement executed and delivered by a Successful Bidder or Backup Bidder.

## **ARTICLE 4 — PHASE 1**

### **Section 4.1 Seeking Non-Binding Indications of Interest by Qualified Phase 1 Bidders**

(1) From the date of the SISP Approval Order until the Phase I Bid Deadline, in accordance with the terms of the SISP Approval Order and these SISP Procedures, the Receiver will seek to identify and qualify Qualified Phase 1 Bidders, and will solicit non-binding indications of interest from Qualified Phase 1 Bidders to acquire all, or substantially all of the Sage Property or to invest in Sage (each a "**Non-Binding Indication of Interest**").

(2) Subject to Section 4.3(5), in order to continue to participate in the SISP Process, a Qualified Phase 1 Bidder must deliver a Non-Binding Indication of Interest to the Receiver so as to be received by the Receiver not later than **5:00 p.m. (Toronto time) on September 28, 2018**, or such later date or time as the Receiver may determine appropriate (the "**Phase 1 Bid Deadline**").

### **Section 4.2 Non-Binding Indications of Interest by Qualified Phase 1 Bidders**

(1) Unless otherwise ordered by the Court or agreed by the Receiver, a Non-Binding Indication of Interest will be considered a "**Qualified Non-Binding Indication of Interest**" only if it is submitted by a Qualified Phase 1 Bidder, received on or before the Phase 1 Bid Deadline, and contains the following information:

- (a) An indication of whether the Qualified Phase 1 Bidder is offering to (i) make a Sale Proposal; or (ii) make an Investment Proposal;
- (b) In the case of a Sale Proposal, it shall identify
  - i. the purchase price (including liabilities to be assumed by the Qualified Phase 1 Bidder);
  - ii. the assets included, any of the assets expected to be excluded, and/or any additional assets desired to be included in the transaction;
  - iii. the structure and financing of the transaction (including, but not limited to, the sources of financing for the purchase price, preliminary evidence of the availability of such financing and the steps necessary and associated timing to obtain the financing and consummate the proposed transaction and any related contingencies, as applicable);
  - iv. an acknowledgement that the contemplated sale will be made on an "as is where is" basis;

- v. the key material contracts and leases, if any, the Qualified Phase I Bidder wishes to acquire and the Qualified Phase I Bidder's proposed treatment of related cure costs, if any;
  - vi. any anticipated corporate, shareholder, internal or regulatory approvals, including without limitation any approvals with respect to the grant or transfer of any mining permits or licenses or other approvals with respect to environmental matters, required to close the transaction and the anticipated time frame and any anticipated impediments for obtaining such approvals;
  - vii. the Qualified Phase 1 Bidder's ability to consummate the contemplated transaction by the Target Closing Date;
  - viii. a detailed description of any additional due diligence required or desired to be conducted prior to the Phase 2 Bid Deadline, if any;
  - ix. contact information for any business, financial or legal advisors retained or to be retained in connection with the contemplated transaction;
  - x. a specific indication of sources of capital for the Qualified Phase I Bidder and preliminary evidence of the availability of such capital, or such other form of financial disclosure and credit-quality support or enhancement, including contact information for capital/financing sources, that will allow the Receiver to make a reasonable business judgement as to the Qualified Phase I Bidder's financial or other capabilities to consummate the contemplated transaction;
  - xi. any conditions to closing that the Qualified Phase 1 Bidder may wish to impose; and
  - xii. any other terms or conditions of the Sale Proposal which the Qualified Phase I Bidder believes are material to the transaction;
- (c) In the case of an Investment Proposal, it shall identify:
- (i) the aggregate amount of the equity and debt investment (including, the sources of such capital, preliminary evidence of the availability of such capital and the steps necessary and associated timing to obtain the capital and consummate the proposed transaction and any related contingencies, as applicable) to be made in Sage;
  - (ii) the underlying assumptions regarding the pro forma capital structure (including, the anticipated debt levels, debt service fees, interest and amortization);
  - (iii) the consideration to be allocated to the stakeholders including claims of any secured or unsecured creditors of Sage and the proposed treatment of employees;
  - (iv) the structure and financing of the transaction including all requisite financial assurance including a specific indication of sources of capital for the Qualified Phase 1 Bidder and preliminary evidence of the availability of such capital, or such other form of financial disclosure and credit-quality support or enhancement, including contact information for capital/financing sources, that will allow the Receiver to make a reasonable business judgement as to the Qualified Phase I Bidder's financial or other capabilities to consummate the contemplated transaction;

- (v) any anticipated corporate, shareholder, internal or regulatory approvals, including without limitation any approvals with respect to the grant or transfer of any mining permits or licenses, required to close the transaction, the anticipated time frame and any anticipated impediments for obtaining such approvals;
  - (vi) the proposed corporate governance structure of the entity or entities owning/operating the business, following implementation of the investment
  - (vii) contact information for any business, financial or legal advisors retained or to be retained in connection with the contemplated transaction;
  - (viii) additional due diligence required or desired to be conducted prior to the Phase 2 Bid Deadline, if any;
  - (ix) a statement with respect to the Qualified Phase I Bidder's ability to consummate the contemplated transaction by the Target Closing Date;
  - (x) the proposed treatment of stakeholders, including lenders, trade creditors, shareholders and employees;
  - (xi) any conditions to closing that the Qualified Phase I Bidder may wish to impose;
  - (xii) any other terms or conditions of the Investment Proposal which the Qualified Phase 1 Bidder believes are material to the transaction; and
- (d) Such other information reasonably requested by the Receiver.

(2) The Receiver may waive compliance with any one or more of the requirements specified herein and deem any non-compliant Non-Binding Indication of Interest to be a Qualified Non-Binding Indication of Interest.

#### **Section 4.3 Assessment of Qualified Non-Binding Indications of Interest and Determination of Qualified Phase 2 Bidders**

(1) Subject to Section 4.3(7) and Section 5.7, the Receiver will provide copies of any Qualified Non-Binding Indications of Interest received to the Secured Creditor, and consult with the Secured Creditor.

(2) The Receiver will assess any Qualified Non-Binding Indications of Interest received, and will determine whether proceeding with these SISP Procedures on the basis of such Qualified Non-Binding Indications of Interest is in the best interests of Sage and its stakeholders. Such assessment will be made as promptly as practicable after the Phase I Bid Deadline.

(3) If the Receiver, in accordance with Section 4.2 above, determines that no Qualified Non-Binding Indication of Interest was received, the Receiver shall advise the Secured Creditor forthwith, and promptly file an application with the Court seeking directions.

(4) If the Receiver, in accordance with Section 4.2 above, determines that (i) one or more Qualified Non-Binding Indications of Interest were received, and (ii) proceeding with these SISP Procedures is in the best interests of Sage and its stakeholders, these SISP Procedures will continue and each Qualified Phase 1 Bidder who has submitted a Qualified Non-Binding Indication of Interest that is determined by the Receiver on consideration of the information delivered at Section 4.2(1), likely be consummated, shall be deemed to be a "**Qualified Phase 2 Bidder**". Subject to the restrictions set out in Section 5.7, the Receiver shall provide advance written notice of the commencement of Phase 2 and the names of the Qualified Phase 2 Bidders to the Secured Creditor.

(5) Notwithstanding any other provision in these SISP Procedures, the Secured Creditor shall, subject to executing the Confidentiality Agreement, be deemed to be a Qualified Phase 2 Bidder even if it did not submit a Non-Binding Indication of Interest. Subject to the restrictions and limitations set out in Section 4.3(7) and Section 5.7, the Secured Creditor shall be permitted to submit a Qualified Purchase Bid or Qualified Investment Bid, provided that the Secured Creditor declares its intention to do so within 5 business days of the commencement of Phase 2 (as described in Article 5 hereto) by delivering written notice thereof to the Receiver (the "**Bid Notice**"). The Bid Notice shall contain the amount of the Secured Creditor's bid together with a summary of all material terms of the bid. The Secured Creditor shall not be entitled to increase the amount of its bid following delivery of the Bid Notice. The Receiver shall forthwith provide a copy of the Secured Creditor's Bid Notice to all Qualified Phase 1 Bidders.

(6) If the Secured Creditor does not submit a Bid Notice within 5 business days of the commencement of Phase 2 then the Secured Creditor will not be permitted to submit any bid thereafter, save and except for in the circumstances described in Section 5.5(2).

(7) Notwithstanding any other provision of this SISP, to the extent that the Secured Creditor or any employee, officer, director or partner of the Secured Creditor or any of its affiliates, at any time received copies of any Qualified Non-Binding Indication of Interest or information regarding the proposed consideration to be paid by the bidder in such a Qualified Non-Binding Indication of Interest, the Secured Creditor shall not be permitted to submit any bid that provides for consideration that exceeds the amount of the Secured Claims Amount.

## **ARTICLE 5 — PHASE 2**

### **Section 5.1 Seeking Qualified Bids by Qualified Phase 2 Bidders**

In order to continue to participate in the Solicitation Process, a Qualified Phase 2 Bidder must deliver a Qualified Purchase Bid or Qualified Investment Bid to the Receiver and such bids must be received by the Receiver by no later than **5:00 p.m. (Toronto time) on October 29, 2018**, or such later date or time as the Receiver may determine appropriate (the "**Phase 2 Bid Deadline**").

### **Section 5.2 Qualified Purchase Bids**

A Sale Proposal submitted by a Qualified Phase 2 Bidder will be considered a "**Qualified Purchase Bid**" only if the Sale Proposal complies with all of the following:

- (a) it includes a letter stating that the Sale Proposal is irrevocable until the earlier of (a) the approval by the Court of a Successful Bid, and (b) 45 Business Days following the Phase 2 Bid Deadline; provided, however, that if such Sale Proposal is selected as the Successful Bid or the Backup Bid, it shall remain irrevocable until the closing of the Successful Bid or the Backup Bid, as the case may be;
- (b) it includes a duly authorized and executed purchase and sale agreement substantially in the Form of Purchase Agreement specifying the purchase price, expressed in Canadian dollars (the "**Purchase Price**"), together with all exhibits and schedules thereto, and such ancillary agreements as may be required by the Qualified Phase 2 Bidder with all exhibits and schedules thereto (or term sheets that describe the material terms and provisions of such ancillary agreements) and such ancillary agreements and the proposed orders to approve the sale by the Court, as well as copies of such materials marked to show the amendments and modifications to the Form of Purchase Agreement;
- (c) it does not include any request or entitlement to any break-fee, expense reimbursement or similar type of payment. Further, by submitting a Sale Proposal, a Qualified Phase 2 Bidder shall be deemed to waive its right to pursue a substantial contribution claim in any way related to the submissions of its Sale Proposal or these SISP Procedures;

- (d) it includes evidence sufficient to allow the Receiver to make a reasonable determination as to the bidder's (and its direct and indirect owners and their principals') financial and other capabilities to consummate the transaction contemplated by the Sale Proposal, which evidence could include but is not limited to evidence of a firm, irrevocable commitment for all required funding and/or financing from a creditworthy bank or financial institution;
- (e) it is not conditioned or (i) the outcome of unperformed due diligence by the bidder and/or (ii) obtaining any financing capital and includes an acknowledgement and representation that the bidder has had an opportunity to conduct any and all required due diligence prior to making its Sale Proposal;
- (f) it fully discloses the identity of each entity that is bidding or otherwise that will be sponsoring or participating in the Sale Proposal, including the identification of the Qualified Phase 2 Bidder's direct and indirect owners and their principals, and the complete terms of any such participation;
- (g) it includes an acknowledgement and representation that the Qualified Phase 2 Bidder: (i) has relied solely upon its own independent review, investigation and/or inspection of any documents and/or the assets to be acquired and liabilities to be assumed in making its Sale Proposal; (ii) did not rely upon any written or oral statements, representations, promises, warranties or guaranties whatsoever, whether express or implied (by operation of law or otherwise), regarding the assets to be acquired or liabilities to be assumed or the completeness of any information provided in connection therewith, including by the Receiver, or any of its advisors, except as expressly stated in the purchase and sale agreement submitted by it; (iii) is a sophisticated party capable of making its own assessments in respect of making its Sale Proposal; and (iv) has had the benefit of independent legal advice in connection with its Sale Proposal;
- (h) it includes evidence, in form and substance reasonably satisfactory to the Receiver, of authorization and approval from the Qualified Phase 2 Bidder's board of directors (or comparable governing body) with respect to the submission, execution, delivery and closing of the transaction contemplated by the Sale Proposal;
- (i) it is accompanied by a refundable deposit (the "**Deposit**") in the form of a wire transfer (to a trust account specified by the Receiver), or such other form acceptable to the Receiver, payable to the order of Deloitte Restructuring Inc., in trust, in an amount equal to 10% of the proposed gross purchase price, to be held and dealt with in accordance with these SISP Procedures;
- (j) it includes an acknowledgement and representation that the Qualified Phase 2 Bidder will assume the obligations of Sage under executory contracts, unexpired leases, and licences proposed to be assigned (or identifies with particularity which of such contracts, leases, and licenses of Sage, as applicable, that the Qualified Phase 2 Bidder wishes not to assume, or alternatively wishes to assume), contains full details of the Qualified Phase 2 Bidder's proposal for the treatment of related cure costs; and which of these the assumption of which is a condition of closing;
- (k) it provides for closing of the Qualified Purchase Bid by no later than the Target Closing Date;
- (l) if the Qualified Phase 2 Bidder is an entity newly formed for the purpose of the transaction, the bid shall contain an equity or debt commitment letter from the parent entity or sponsor, which is satisfactory to the Receiver, that names the Receiver as a third party beneficiary of any such commitment letter with recourse against such parent entity or sponsor;

- (m) it includes evidence, in form and substance reasonably satisfactory to the Receiver, of compliance or anticipated compliance with any and all applicable regulatory approvals (including, if applicable, anti-trust regulatory approval and any approvals with respect to the grant or transfer of any mining permits or licenses), the anticipated time frame for such compliance and any anticipated impediments for obtaining such approvals;
- (n) it contains other information reasonably requested by the Receiver; and
- (o) it is received by no later than the Phase 2 Bid Deadline.

### **Section 5.3 Qualified Investment Bids**

An Investment Proposal submitted by a Qualified Phase 2 Bidder will be considered a "**Qualified Investment Bid**" only if the Investment Proposal complies with all of the following:

- (a) it includes duly authorized and executed binding definitive documentation setting out the terms and conditions of the proposed transaction, including the aggregate amount of the proposed equity and/or debt investment and details regarding the proposed equity and/or debt structure of Sage, if applicable, following completion of the proposed transaction (a "**Definitive Investment Agreement**");
- (b) it includes a letter stating that the Investment Proposal is irrevocable until the earlier of (a) approval by the Court of a Successful Bid, and (b) 45 Business Days following the Phase 2 Bid Deadline; provided, however, that if such Investment Proposal is selected as the Successful Bid or Backup Bid, it shall remain irrevocable until the earlier of (i) the closing of the Successful Bid or the Backup Bid, as the case may be, and (ii) the outside date stipulated in the Successful Bid or the Backup Bid, as applicable;
- (c) it does not include any request or entitlement to any break-fee, expense reimbursement or similar type of payment. Further, by submitting an Investment Proposal, the Qualified Phase 2 Bidder shall be deemed to waive its right to pursue a substantial contribution claim in any way related to the submission of its Investment Proposal or these SISP Procedures;
- (d) it includes written evidence of a firm, irrevocable commitment for all required funding and/or financing from a creditworthy bank or financial institution to consummate the proposed transaction, or other evidence satisfactory to the Receiver, to allow the Receiver to make a reasonable determination as to the Qualified Phase 2 Bidder's financial and other capabilities to consummate the transaction contemplated by the Investment Proposal;
- (e) it is not conditioned on (i) the outcome of unperformed due diligence by the Qualified Phase 2 Bidder and/or (ii) obtaining any financing capital and includes an acknowledgement and representation that the Qualified Phase 2 Bidder has had an opportunity to conduct any and all required due diligence prior to making its bid;
- (f) it fully discloses the identity of each entity that is bidding or otherwise that will be sponsoring or participating in the Investment Proposal, including the identification of the Qualified Phase 2 Bidder's direct and indirect owners and their principals, and the complete terms of any such participation;
- (g) it includes an acknowledgement and representation that the Qualified Phase 2 Bidder: (i) has relied solely upon its own independent review, investigation and/or inspection of any documents in making its Investment Proposal; (ii) did not rely upon any written or oral statements, representations, promises, warranties or guaranties whatsoever, whether

express or implied (by operation of law or otherwise), regarding the business of Sage or the completeness of any information provided in connection therewith, including by the Receiver or any of its advisors, except as expressly stated in the Definitive Investment Agreement; (iii) is a sophisticated party capable of making its own assessments in respect of making its Investment Proposal; and (iv) has had the benefit of independent legal advice in connection with its Investment Proposal;

- (h) it includes evidence, in form and substance reasonably satisfactory to the Receiver, of authorization and approval from the Qualified Phase 2 Bidder's board of directors (or comparable governing body) with respect to the submission, execution, delivery and closing of the transaction contemplated by the Investment Proposal;
- (i) it is accompanied by a Deposit in the form of a wire transfer (to a trust account specified by the Receiver), or such other form acceptable to the Receiver, payable to the order of Deloitte Restructuring Inc., in trust, in an amount equal to 5% of the total proposed investment, to be held and dealt with in accordance with these SISP Procedures;
- (j) it provides for closing of the Qualified Investment Bid by no later than the Target Closing Date;
- (k) if the Qualified Phase 2 Bidder is an entity newly formed for the purpose of the transaction, the Investment Proposal shall contain an equity or debt commitment letter from the parent entity or sponsor, and satisfactory to the Receiver, that names the Receiver as a third party beneficiary of any such commitment letter with recourse against such parent entity or sponsor;
- (l) it includes evidence, in form and substance reasonably satisfactory to the Receiver, of compliance or anticipated compliance with any and all applicable regulatory approvals (including, if applicable, anti-trust regulatory approval), the anticipated time frame for such compliance and any anticipated impediments for obtaining such approvals;
- (m) it contains other information reasonably requested by the Receiver; and
- (n) it is received by no later than the Phase 2 Bid Deadline.

#### **Section 5.4 Qualified Bids**

(1) Qualified Purchase Bids and Qualified Investment Bids shall hereinafter be referred to as "**Qualified Bids**" and each a "**Qualified Bid**" and each bidder who has submitted a Qualified Bid shall hereinafter be referred to as a "**Qualified Bidder**".

(2) Notwithstanding Section 5.2 and Section 5.3 hereof, the Receiver may waive compliance with any one or more of the Qualified Bid requirements specified herein, and deem such non-compliant bids to be Qualified Purchase Bids or Qualified Investment Bids, as the case may be.

#### **Section 5.5 No Qualified Bids**

(1) The Receiver will assess the Qualified Bids received, if any, and will determine whether it is likely that the transactions contemplated by such Qualified Bids are likely to be consummated and whether proceeding with these SISP Procedures is in the best interests of Sage and its stakeholders. Such assessments will be made as promptly as practicable after the Phase 2 Bid Deadline, provided that such time period may be extended upon the consent of the Receiver or order of the Court upon application and appropriate notice.



(2) If the Receiver, in accordance with Section 5.5(1) above, determines that (a) no Qualified Bid was received, or (b) at least one Qualified Bid was received but it is not likely that the transactions contemplated in any such Qualified Bids will be consummated, the Receiver shall notify the Secured Creditor forthwith, and within ten (10) Business Days of such determination, file an application with the Court seeking directions. In the circumstances described in this subsection, the Secured Creditor shall have the option within five (5) business days from such determination to submit a credit bid (that would constitute a binding agreement if accepted) even if they did not submit a credit bid at any other point during Phase 1 or Phase 2, and notwithstanding the receipt of any new information regarding bids or offers after the commencement of Phase 2.

#### **Section 5.6 Selection Criteria**

(1) In selecting the Successful Bid, the Receiver will review each Qualified Bid. Evaluation criteria with respect to a Sale Proposal may include, but are not limited to items such as: (a) the purchase price and the net value (including assumed liabilities and other obligations to be performed or assumed by the bidder) provided by such bid; (b) the claims likely to be created by such bid in relation to other bids; (c) the counterparties to the transaction; (d) the proposed revisions to the Form of Purchase Agreement and the terms of the transaction documents; (e) other factors affecting the speed, certainty and value of the transaction (including any regulatory approvals required to close the transaction); (f) the assets included or excluded from the bid and the transaction costs and risks associated with closing multiple transactions versus a single transaction for all or substantially all of the Sage Property; (g) the transition services required from Sage post-closing and any related restructuring costs; and (h) the likelihood and timing of consummating the transaction by the Target Closing Date.

(2) Evaluation criteria with respect to an Investment Proposal may include, but are not limited to items such as: (a) the amount of equity and debt investment and the proposed sources and uses of such capital; (b) the debt to equity structure post-closing; (c) the counterparties to the transaction; (d) the terms of the transaction documents; (e) other factors affecting the speed, certainty and value of the transaction; (f) planned treatment of and recovery to stakeholders; and (g) the likelihood and timing of consummating the transaction by the Target Closing Date.

(3) The Receiver may select Qualified Bids for further negotiation and/or clarification of any terms or conditions of such Qualified Bids, including the amounts offered, before identifying the highest or otherwise best Qualified Bid(s) received (the "**Successful Bid**").

(4) Upon completion of any further negotiations or clarifications that may be conducted pursuant to Section 5.6(3) above, the Receiver will identify the Successful Bid and may identify a next highest or otherwise best Qualified Bid received (such offer, the "**Backup Bid**"). The Qualified Bidders(s) who made the Successful Bid is/are the "**Successful Bidder**" and the Qualified Bidder(s) who made the Backup Bid (if a Backup Bid is identified in accordance with these SISP Procedures) is/are the "**Backup Bidder**". The Receiver will notify the Successful Bidder and any Backup Bidder that they are, respectively, the Successful Bidder and the Backup Bidder.

(5) The Receiver will finalize definitive agreements in respect of the Successful Bid and the Backup Bid (if a Backup Bid is identified in accordance with these SISP Procedures), if any, conditional upon approval by the Court.

(6) If a Backup Bid is identified in accordance with these SISP Procedures, then such Backup Bid shall remain open until the consummation of the transaction contemplated by the Successful Bid (the "**Backup Bid Expiration Date**").

(7) All Qualified Bids (other than the Successful Bid and any Backup Bid identified in accordance with these SISP Procedures) shall be deemed rejected by the Receiver on and as of the date of approval of the Successful Bid or any Backup Bid by the Court.

### **Section 5.7 Secured Creditor Consultation and Consent**

(1) For the purposes of the Solicitation Process and these SISP Procedures, and notwithstanding any other provision in these SISP Procedures, any requirement for the Receiver to: (a) consult with the Secured Creditor, and (b) provide copies of any expressions of interest, bids or other offers submitted in connection with the Solicitation Process or these SISP Procedures (collectively, the "**Secured Creditor Consultation Rights**") shall all be subject to the terms, conditions and limitations contained in this Section 5.7.

(2) Subject to subsection 5.7(3), the Secured Creditor Consultation Rights shall be suspended for the period commencing on the earlier of (x) the date that a Non-Binding Indication of Interest, Qualified Purchase Bid, Qualified Investment Bid (including any credit bid) is actually submitted by the Secured Creditor and (y) the date that a Bid Notice is issued by the Secured Creditor as required by Section 4.3(5) and ending on the date on which the Non-Binding Indication of Interest, Qualified Purchase Bid or Qualified Investment Bid, as applicable, submitted by the Secured Creditor has been rejected and is no longer being considered by the Receiver, as evidenced by written notice to the Secured Creditor from the Receiver. For greater certainty, during any period of time during which the Secured Creditor's Consultation Rights are suspended, no officer, director or partner or any of its affiliates shall be entitled to receive any information contemplated under the Secured Creditor Consultation Rights, unless and until the Receiver has selected a Successful Bid.

(3) The suspension of Secured Creditor Consultation Rights pursuant to Section 5.7(2) will not apply in the case of an Indication of Interest, Qualified Purchase Bid or Qualified Investment Bid that is submitted by the Secured Creditor which (a) is a credit bid that involves consideration (excluding assumed obligations) that does not exceed the Secured Claims Amount as determined by the Receiver, and (b) is delivered with a binding covenant and undertaking by the Secured Creditor in favour of the Receiver covenanting and undertaking that no change shall be made to the economic terms of the offer or bid from and after the date of its submission and the key terms of such bid are disclosed to other interested parties.

(4) For the purposes of the Solicitation Process and these SISP Procedures, prior to obtaining any Secured Creditor Consultation Rights the Secured Creditor shall be required to execute a confidentiality agreement with the Receiver.

(5) The Receiver will not provide to the Secured Creditor any new information regarding bids obtained from the commencement of Phase 2 until the expiry of the period to submit a Bid Notice.

### **Section 5.8 Approval Hearing**

(1) After definitive agreements in respect of a Successful Bid and Backup Bid (if a Backup Bid is identified in accordance with these SISP Procedures) have been finalized, in the case of the Successful Bid, signed (conditional on court approval) and, in the case of the Backup Bid signed (conditional on non-completion of the Successful Bid and on court approval) in accordance with these SISP Procedures, The Receiver shall seek a hearing as soon as practicable on a date to be scheduled by the Court that will permit not less than 5 full business Days' notice to the service list (the "**Approval Hearing**") to approve the Successful Bid or the Backup Bid should the Successful Bid not close for any reason. The Approval Hearing may be adjourned or rescheduled by the Receiver, without further notice, by an announcement of the adjourned date at the Approval Hearing.

(2) If, following approval of the Successful Bid transaction by the Court, the Successful Bidder fails to consummate the transaction for any reason, then the Backup Bid, if there is one, will be deemed to be the Successful Bid hereunder and the Receiver shall effectuate a transaction with the Backup Bidder subject to the terms of the Backup Bid, without further order of the Court.

### Section 5.9 Deposits

(1) All Deposits shall be retained by the Receiver and invested in an interest bearing trust account in a Schedule I Bank in Canada. If there is a Successful Bid, the Deposit (plus accrued interest) paid by the Successful Bidder whose bid is approved pursuant to the Approval Hearing shall be applied to the purchase price to be paid or investment amount to be made by the Successful Bidder upon closing of the Successful Bid. The Deposit (plus accrued interest) paid by the Backup Bidder, if there is one, shall be retained by the Receiver until the Backup Bid Expiration Date or, if the Backup Bid becomes the Successful Bid, shall be applied to the purchase price to be paid or investment amount to be made by the Backup Bidder upon closing of the Backup Bid. The Deposits (plus applicable interest) of all Phase 2 Bidders not selected as the Successful Bidder or Backup Bidder shall be returned to such bidders without interest within five (5) Business Days of the later of the date upon which the Successful Bid and any Backup Bid are approved by the Court. If these SISP Procedures are terminated in accordance with the provisions hereof, all Deposits shall be returned to the bidders without interest within five (5) Business Days of the date upon which these SISP Procedures are terminated.

(2) If an entity selected as the Successful Bidder or Backup Bidder breaches its obligations to close, it shall forfeit its Deposit to the Receiver; provided, however, that the forfeiture of such Deposit shall be in addition to, and not in lieu of, any other rights in law or equity that the Receiver has or may have against such breaching entity.

### Section 5.10 Approvals

For greater certainty, the approvals required pursuant to the terms hereof are in addition to, and not in substitution for, any other approvals required by any Canadian or other foreign statute or are otherwise required at law in order to implement a Successful Bid or Backup Bid, as the case may be.

### Section 5.11 Notice to the Receiver

Any notice or other communication to be given to the Receiver in connection with this SISP shall be given in writing and shall be given by personal delivery (in which case it shall be left with a responsible officer of the recipient) or by electronic communication addressed to the Receiver as follows:

Deloitte Restructuring Inc.  
 8 Adelaide Street West, Suite 200  
 Toronto, ON M5H 0A9  
 Attention: Phil Reynolds and Rob Biehler  
 Telephone No.: 416-956-9200 / 905-315-5785  
 Email: [pireynolds@deloitte.ca](mailto:pireynolds@deloitte.ca)  
[rbiehler@deloitte.ca](mailto:rbiehler@deloitte.ca)

with a copy to:

McMillan LLP  
 Brookfield Place, Suite 4400  
 181 Bay Street  
 Toronto, ON M5J 2T3  
 Attention: Waël M. Rostom, Tushara Weerasooriya and Stephen Brown-Okruhlik  
 Telephone No.: 416-865-7790 / 416-865-7890 / 416-865-7043  
 Email: [wael.rostom@mcmillan.ca](mailto:wael.rostom@mcmillan.ca)  
[tushara.weerasooriya@mcmillan.ca](mailto:tushara.weerasooriya@mcmillan.ca)  
[stephen.brown-okruhlik@mcmillan.ca](mailto:stephen.brown-okruhlik@mcmillan.ca)

**Section 5.12 Reservation of Rights**

(1) The Receiver may (a) reject, at any time any bid that is (i) inadequate or insufficient, (ii) not in conformity with the requirements of these SISP Procedures or any orders of the Court applicable to Sage, or (iii) contrary to the best interests of Sage, its estate, and stakeholders as determined by the Receiver; (b) in accordance with the terms hereof accept bids not in conformity with these SISP Procedures to the extent that the Receiver determines, in its reasonable business judgment, that doing so would benefit Sage, its estate, and stakeholders; and (c) in accordance with the terms hereof extend the Potential Bidder Deadline, Phase 1 Bid Deadline or Phase 2 Bid Deadline; and (d) reject all bids. The Receiver shall not be required to accept the highest bid, but shall be entitled to recommend to the Court a transaction that in its view maximizes value for all stakeholders.

(2) These SISP Procedures do not, and shall not be interpreted to, create any contractual or other legal relationship between the Receiver on the one hand and any Known Potential Bidder, Potential Bidder, Qualified Potential Bidder, Qualified Phase 1 Bidder, Qualified Phase 2 Bidder, Qualified Bidder, Successful Bidder or Backup Bidder, on the other hand, except as specifically set forth in definitive agreements that may be executed by the Receiver.

**Section 5.13 Further Orders**

At any time during the SISP, the Receiver may apply to the Court for directions with respect to the discharge of its powers and duties hereunder.

**Section 5.14 Credit Bid**

These SISP Procedures permit the Secured Creditors to submit a credit bid, provided such credit bid is in accordance with the terms and conditions of these SISP Procedures and in accordance with applicable law.

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**Schedule "A"**

***See attached.***

**SCHEDULE "A"****DESCRIPTION OF CLAVOS PROPERTIES AND ONAMAN PROPERTIES (WITH MAPS)****Clavos Properties**

The Clavos Project is the area located in the area located about 46km northeast of Timmins, Ontario and centred at 514000E and 5384000N in NAD83, Zone 10, which consists of the following contiguous patented, unpatented claims and mining leases:

**a) Patented Mining Claims**

<b>Claim</b>	<b>Parcel</b>	<b>PIN</b>	<b>Rights</b>	<b>Township</b>	<b>Size (ha)</b>
CP2433	22364sec	65362 302	SRO	German	73.963
CP2433	5748sec	65362 535	SMR	German	73.963
CP4990	22593sec	65362 305	MRO	German	75.588
CP6499	23144sec	65362 311	MRO	German	60.782
CP6633	22093sec	65362 154	SRO	German	53.806
CP6634	17709sec	65362 298	SRO	German	71.333
CP6638	17713sec	65362 299	SRO	German	84.314
CP6640	22095sec	65363 158	SRO	Stock	63.893
L37438	9238sec	65363 199	MRO	Stock	15.653
L37438	17702SEC	65363 186	SRO	Stock	15.653
L37439	9239sec	65363 200	MRO	Stock	16.045
L37439	17703SEC	65363 180	SRO	Stock	16.045
L37440	9250sec	65363 184	SMR	Stock	14.864
L37441	9249sec	65363 182	SMR	Stock	15.205
L37442	9240sec	65363 185	SMR	Stock	17.578
L37443	9243sec	65363 181	SMR	Stock	18.392
L37454	9241sec	65363 201	MRO	Stock	17.01
L37454	17704SEC	65363 187	SRO	Stock	17.01
L37455	9242sec	65363 202	MRO	Stock	16.988
L37455	17705SEC	65363 179	SRO	Stock	16.988
L42605	12837sec	65363 211	MRO	Stock	17.613
L42605	17715SEC	65363 211	SRO	Stock	17.613
L42606	12821sec	65363 212	MRO	Stock	14.364
L42607	12821sec	65363 212	MRO	Stock	17.618
L42608	12822sec	65363 183	SMR	Stock	17.035
L42609	12821sec	65363 212	MRO	Stock	16.536
L42729	12822sec	65363 183	SMR	Stock	16.56
L43304	12821sec	65363 212	MRO	Stock	15.463
L46943	12823sec	65363 246	MRO	Stock	14.517
L46944	12823sec	65363 246	MRO	Stock	16.182
L476976	8724sec	65363 218	MRO	Stock	71.02

Claim	Parcel	PIN	Rights	Township	Size (ha)
NP2564	667sec	65362 297	SMR	German	67.14
NP5348	1184sec	65362 551	MRO	German	67.37
P28977	12819sec	65362 300	SMR	German	21.54
P28978	12815sec	65362 301	MRO	German	16.46
P28979	12815sec	65362 301	MRO	German	18.00
P28980	12815sec	65362 301	MRO	German	19.08
P28981	12815sec	65362 301	MRO	German	17.80
P29600	12819sec	65362 300	SMR	German	19.78
P29601	12819sec	65362 300	SMR	German	22.34
P29602	20811 sec	65362 154	MRO	German	17.04
P29603	12814sec	65362 507	MRO	German	17.88
P29604	12817sec	65362 505	MRO	German	15.05
P29604	17711SEC	65362 156	SRO	German	15.05
P29605	12818sec	65362 504	MRO	German	15.51
P29605	17712SEC	65362 157	SRO	German	15.51
P29895	12819sec	65362 300	SMR	German	20.66
P30683	12816sec	65362 506	MRO	German	16.94
P30683	22094SEC	65362 155	SRO	German	16.94
P30684	12814sec	65362 507	MRO	German	18.89
P30685	12814sec	65362 507	MRO	German	18.18
P32143	12820sec	65362 503	MRO	German	19.53
P32144	12820sec	65362 503	MRO	German	20.47
TP738	10046sec	65363 188	SRO	Stock	33.38
TP738	5901sec	65363 189	SRO	Stock	31.04
TP748	6281sec	65363 223	MRO	Stock	62.46

**b) Mining Leases**

Claim	Lease #	Parcel	PIN	Rights	Township
P723319	106835	1763LC	65363 0001	MRO	German
P723320	106835	1763LC	65363 0001	MRO	German
P724525	106835	1763LC	65363 0567	MRO	Stock
P724526	106835	1763LC	65363 0567	MRO	Stock

**c) Unpatented Mining Claims**

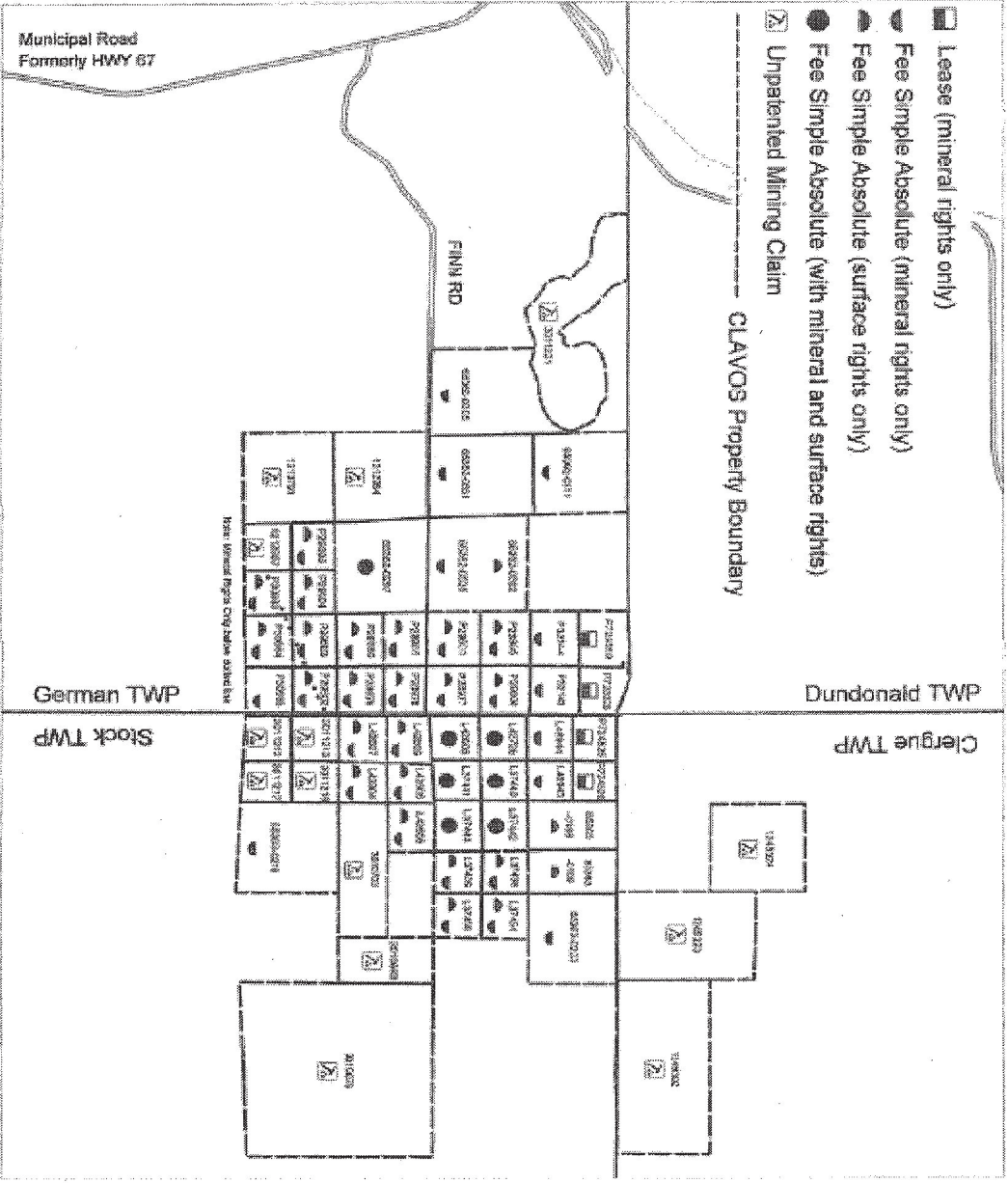
Claim	Parcel	PIN	Rights	Township	Size (ha)
1212954	UPC	n/a	MRO	German	66.82
1212957	UPC	n/a	MRO	German	16.99

Claim	Parcel	PIN	Rights	Township	Size (ha)
1213708	UPC	n/a	MRO	German	65.10
3010679	UPC	n/a	MRO	Stock	260.39
3010680	UPC	n/a	MRO	Stock	33.21
3010703	UPC	n/a	MRO	Stock	51.37
3011212	UPC	n/a	MRO	Stock	16.77
3011213	UPC	n/a	MRO	Stock	17.07
3011216	UPC	n/a	MRO	Stock	15.40
3011217	UPC	n/a	MRO	Stock	16.21
3011221	UPC	n/a	MRO	German	86.80
1245302	UPC	n/a	MRO	Clergue	129.27
1245323	UPC	n/a	MRO	Clergue	95.62
1245324	UPC	n/a	MRO	Clergue	64.51

**Definitions:**

MRO	Mineral Rights Only
SMR	Surface Rights Only
NSR	Net Smelter Return
nil	No royalties
UPC	Unpatented Mining Claim





**Onaman Properties****a) Patented Mining Claims**

Claim	Parcel	PIN	Rights	Township	Holder
KK442	6476	62504-1745	MRO	Coughlan Lake Area	Sage Gold Inc.
KK2238	7129	62504-1549	MRO	Coughlan Lake Area	Sage Gold Inc.
KK2239	7130	62504-1551	MRO	Coughlan Lake Area	Sage Gold Inc.
KK2242	7040	62504-1555	MRO	Coughlan Lake Area	Sage Gold Inc.
KK2272	7321	62504-1550	MRO	Coughlan Lake Area	Sage Gold Inc.
KK2273	7322	62504-1552	MRO	Coughlan Lake Area	Sage Gold Inc.
KK2274	7323	62504-1553	MRO	Coughlan Lake Area	Sage Gold Inc.
KK2275	7324	62504-1554	MRO	Coughlan Lake Area	Sage Gold Inc.

**b) Mining Leases**

Claim	Lease #	Parcel	PIN	Rights	Township
<u>CLM 401</u>	109010	3387	62504 2007	MRO	Coughlan Lake Area and Castlewood Lake Area
<u>CLM 402</u>	109011	3386	62504 1660	MRO	Castlewood Lake Area

**c) Unpatented Mining Claims**

Claim Number	PIN	Rights	Township / Area	Holder
<u>4210030</u>	n/a	MRO	Castlewood Lake Area	Sage Gold Inc.
<u>4210031</u>	n/a	MRO	Castlewood Lake Area	Sage Gold Inc.
<u>4210033</u>	n/a	MRO	Castlewood Lake Area	Sage Gold Inc.
<u>4210034</u>	n/a	MRO	Castlewood Lake Area	Sage Gold Inc.
<u>1233877</u>	n/a	MRO	Coughlan Lake Area	Sage Gold Inc.
<u>1233888</u>	n/a	MRO	Coughlan Lake Area	Sage Gold Inc.
<u>3007228</u>	n/a	MRO	Coughlan Lake Area	Sage Gold Inc.
<u>3008410</u>	n/a	MRO	Coughlan Lake Area	Sage Gold Inc.
<u>3008411</u>	n/a	MRO	Coughlan Lake Area	Sage Gold Inc.
<u>3011520</u>	n/a	MRO	Coughlan Lake Area	Sage Gold Inc.
<u>3011813</u>	n/a	MRO	Coughlan Lake Area	Sage Gold Inc.
<u>3011826</u>	n/a	MRO	Coughlan Lake Area	Sage Gold Inc.
<u>3011873</u>	n/a	MRO	Coughlan Lake Area	Sage Gold Inc.
<u>4210032</u>	n/a	MRO	Coughlan Lake Area	Sage Gold Inc.
<u>4210043</u>	n/a	MRO	Coughlan Lake Area	Sage Gold Inc.
<u>4210044</u>	n/a	MRO	Coughlan Lake Area	Sage Gold Inc.



IN THE MATTER OF RECEIVERSHIP OF SAGE GOLD INC.  
and

IN THE MATTER OF AN APPLICATION PURSUANT TO SECTION 243(1) OF THE  
BANKRUPTCY AND INSOLVENCY ACT, R.S.C. 1985, c. B-3, AS AMENDED; AND SECTION  
101 OF THE COURTS OF JUSTICE ACT, R.S.O. 1990, c. C.43, AS AMENDED

Court File No. CV-18-601307-00CL

**ONTARIO**  
**SUPERIOR COURT OF JUSTICE -**  
**COMMERCIAL LIST**

Proceeding commenced at Toronto

**ORDER**

**McMILLAN LLP**  
Brookfield Place  
181 Bay Street, Suite 4400  
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Lawyers for the Receiver,  
Deloitte Restructuring Inc.



## Acquisition Opportunity Operating Gold Mine & Exploration Project in Ontario

Sage Gold Inc. (the "Company") owns two principal properties located in Ontario: the Clavos gold property ("Clavos") and the Onaman polymetallic volcanic massive sulfide property ("Onaman"), both of which are 100%-owned by the Company. Additional information about the Company or its properties can be found on the Company's website ([www.sagegoldinc.com](http://www.sagegoldinc.com)) or SEDAR ([www.SEDAR.com](http://www.SEDAR.com)).

### Clavos is on the cusp of production, with exploration upside.

- Located in Timmins, one of Canada's most prolific and active gold camps. The deposit is comprised of 69 patented and leased claims and 14 unpatented claims covering 2,540 hectares.
- Briefly in production between 2005 and 2007 and between 2017 and 2018.
- Commenced underground mining and stock-piling of ore in 2017.
- 7-year, life-of-mine toll-milling agreement in place with a nearby mill (~10 km away). Between October 2017 and May 2018, milled 33,963 tonnes of ore and development material at an average grade of 2.35 grams per tonne of gold ("g/t") as part of bulk sample mining, yielding 2,164 oz of gold. Average recoveries were approximately 85%.
- Fully permitted for up to 700 tonnes per day of production.
- Over \$70 million invested in infrastructure by previous operators, including 7 km of underground development, power to site, surface ventilation system and water management system.
- Historic National Instrument 43-101 ("NI 43-101") Mineral Resource Estimate dated October 12, 2012 and Preliminary Economic Assessment ("PEA") dated April 12, 2013. Critical Mineral Resource Estimate update is near completion, adding approximately 2,400 historical and recent drill-hole composites (vs 800 composites in the previous estimate) from additional drilling.
- Over 2,000 high-grade drill intercepts remain outside the current mineral resource model suggesting the potential for near-term growth of the estimated mineral resource.
- In July 2018, Clavos was placed on care and maintenance in light of the Company's current financial situation (discussed on next page). The Receiver is in process of changing the project's status to "temporary suspension" under the Mining Act.

### Clavos Historic Mineral Resource Estimate & PEA

	Cut-off (g/t Au)	Tonnage (in 000s)	Grade (g/t Au)	Contained Au (000 oz)
Indicated	2.75	1,258.4	4.81	194.6
Inferred	2.75	796.0	4.70	120.0
<b>Total</b>				<b>314.6</b>

**20,000oz**

Approx. Avg.  
Annual Production

**7 years**

Life of  
Mine

**\$14M**

Initial Capex  
(majority already  
invested)

**\$23M**

Pre-tax NPV

**71%**

Pre-tax IRR

**2 years**

Payback

### Key steps to production are complete



Completed 7 km of development  
300 metres below surface.



Secured toll-milling agreement with  
nearby producer.



Obtained production permits.



Obtained environmental permits.



Dewatering underground workings  
in process.

Based on US\$1,500 of gold and 1:1 exchange; NPV assumes an 8% discount.  
Source: NI 43-101 Technical Report prepared by Robert Ritchie, P.Eng (April 12, 2013)

Receiver is currently updating the NI 43-101 Mineral Resource Estimate with results from recent surface and underground drilling.

### Onaman represents exploration potential.

- Located in the Beardmore-Geraldton mining camp near Thunder Bay, Ontario.
- Volcanic massive sulfide (“VMS”) deposits are highly attractive exploration targets due to their combination of key metals (copper, lead, zinc, silver, gold) and the fact that deposits typically occur in massive lenses of up to 100 million tonnes, often in clusters.
- 2 zones of significant mineralization lie within the Onaman project area: Lynx (~200,000 oz of NI 43-101 compliant AuEq) and Headway.
- A drilling program commenced in 2017 to uncover the deposit of a large VMS cluster and to advance the Onaman property.

### Lynx Zone Resources (Cu, Ag, Au)

	Tonnage (in 000s)	Cu%	Ag (g/t)	Au (g/t)	AuEq* (000 oz)
Inferred	1,936	1.44%	39.6	0.58	200

### Headway Zone Resources (Zn, Ag)

	Tonnage (in 000s)	Zn%	Ag (g/t)	AuEq* (000 oz)
Non 43-101	739	3.25%	31	51

Source: NI 43-101 Technical Report for the Lynx Zone prepared by Peter C. Hubacheck, P. Geo. and Garth Kirkham, P. Geo. (May 15, 2009)

\*AuEq key price assumptions: Au at \$1,207/oz, Cu at \$2.75/lb, Ag at \$14.63/oz, Zn at \$2,457/mt.

### Sage Gold: Key Investment Highlights



**Fully-permitted, quality asset that is on track to near-term commercial production with a toll-milling contract in place.**



**Located on private land, in a mining-friendly jurisdiction within a supportive community.**



**Significant infrastructure already in place.**



**Substantial upside potential.**

- ✓ 2,000 high-grade drill intercepts outside the current Clavos model.
- ✓ Onaman represents additional exploration potential.

### Process Overview

- In 2016, the Company obtained financing from Cartesian Royalty Holdings Pte Ltd. (“CRH”). In exchange for financing, the Company became party to a gold prepayment agreement (“GPA”) where it was obligated to deliver a certain amount of gold to CRH starting in January 2018.
- Due to certain defaults under the GPA, CRH was in a position to terminate the agreement and enforce its security over the Company.
- On July 30, 2018, Deloitte Restructuring Inc. was appointed receiver over the Company and its related assets (“Receiver”).
- The Receiver and its affiliate, Deloitte Corporate Finance Inc. (“DCF”), are authorized to market and sell the Company or its property via a court-approved Sales and Investor Solicitation Process (“SISP”).
- All parties interested in obtaining further information on this opportunity are invited to execute and return the accompanying Confidentiality Agreement to DCF at the contact information listed on the following page.

*Continued on next page.*

Process Overview (continued)

- The SISP contemplates a 60-day process composed of two stages:
  - Phase 1: Solicit non-binding indications of interest from qualified bidders no later than 5:00 PM (Toronto time) on September 28, 2018;
  - Phase 2: If in the best interest of the Company and its stakeholders, qualified bidders will be invited to submit binding purchase or investment bids no later than 5:00 PM (Toronto time) on October 29, 2018.
- As per the court-approved procedures, CRH is permitted to participate in the SISP or submit a credit bid at certain points throughout the process. If CRH decides to participate in the SISP after Phase 1, it will issue a Bid Notice and set a bid amount at that time. CRH's investment cost base in the Company is approximately \$14 million.
- More information regarding the SISP: [www.insolvencies.deloitte.ca/en-ca/sagegoldinc](http://www.insolvencies.deloitte.ca/en-ca/sagegoldinc).
- This document has been distributed to parties identified as having a potential interest in acquiring the Company or its property. All contact and inquiries should be directed to DCF. No party should contact the Company's directors or employees, vendors/suppliers, customers, shareholders, creditors or any other person with whom the Company transacts without prior written consent of DCF. Please direct all inquiries to one of the following individuals:

**Kevin Becker**  
 Senior Managing Director  
 D: +1 (604) 640-4926  
[kebecker@deloitte.ca](mailto:kebecker@deloitte.ca)

**Razmig Boghossian**  
 Executive Director  
 D: +1 (416) 354-1013  
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### Disclaimer

This Teaser is furnished to potential acquirers on the basis that none of Deloitte Restructuring Inc. (the "Receiver"), Deloitte Corporate Finance Inc., Sage Gold Inc. or their respective officers, partners, employees, agents, representatives or advisers, make any representation or warranty as to the accuracy or completeness of the material contained herein. By receiving this Teaser, the recipient (the "Recipient") acknowledges and agrees that no representation or warranty is made (or will necessarily be made in any sale agreement) as to the accuracy, reliability or completeness of any information contained or referred to in this Teaser or provided either orally or in writing to the Recipient in the course of its evaluation, by the Receiver or any person who may be involved in the preparation of this Teaser or the Sales and Investment Solicitation Process generally. To the extent permitted by law, no responsibility for any statement, opinion, information or matter (whether express or implied) arising out of or contained in, or derived from, or for errors in, or omissions from (arising out of negligence or otherwise) this Teaser or any written or oral communications transmitted to the Recipient in the course of its evaluation of the Company, is accepted by the Receiver. The Recipient acknowledges that nothing in this Teaser (or elsewhere) creates any personal liability on the part of the Receiver or its employees or agents. The Receiver gives no warranty as to the correctness of the information referred to in this Teaser which has been supplied to it by management. While all reasonable efforts have been made to ensure the information contained in this Teaser is accurate and correct at the effective date, no responsibility for any errors in, or omissions from, this Teaser, whether arising out of negligence or otherwise, is accepted by the Receiver. Any person contemplating a purchase of the Company or its assets should make their own decision as to the sufficiency and relevance for their purposes of the information contained in this Teaser and their own independent investigation of the financial condition and affairs of the Company, after taking all appropriate advice from qualified professional persons. By receiving this Teaser, the Recipient acknowledges and agrees that it will rely entirely upon its own due diligence and professional advice in considering a purchase of the Company or part thereof.

### Cautionary and Forward-Looking Statements

The technical information in this document ("Technical Information") is based on information contained in the technical reports, news releases, material change reports and financial statements and quarterly and annual consolidated financial statements and management discussion and analysis (collectively the "Disclosure Documents"). Some of the information in this document has been updated for events occurring subsequent to the date of the technical reports.

### Cautionary Note to U.S. Investors Concerning Resource Estimate

Unless otherwise stated, the resource estimates in this document were prepared based on terminology set out in National Instrument 43-101, adopted by the Canadian Securities Administrators. The requirements of National Instrument 43-101 differ significantly from the requirements of the United States Securities and Exchange Commission (the "SEC"). In this document, the terms "measured", "indicated" and "inferred" resources are used. Although these terms are recognized and required in Canada, the SEC does not recognize them. The SEC permits U.S. mining companies, in their filings with the SEC, to disclose only those mineral deposits that constitute "reserves". Under United States standards, mineralization may not be classified as a reserve unless the determination has been made that the mineralization could be economically and legally extracted at the time the determination is made. United States investors should not assume that all or any portion of a measured or indicated resource will ever be converted into "reserves". Further, "inferred resources" have a great amount of uncertainty as to their existence and whether they can be mined economically or legally, and United States investors should not assume that "inferred resources" exist or can be legally or economically mined, or that they will ever be upgraded to a higher category.





## **Invitations for Offers for an Investment in Sage Gold Inc. or the Purchase of its Assets and Properties**

Deloitte Restructuring Inc., in its capacity as court-appointed receiver (the “Receiver”) of Sage Gold Inc. (the “Company”), invites offers for an *en bloc* investment in the Company or the purchase of its assets and properties, pursuant to a Sales and Investment Solicitation Process (“SISP”). The Company is the 100% owner of two properties: the Clavos gold property (“Clavos”) and the Onaman volcanic massive sulfide property (“Onaman”). Clavos is located in Timmins, Ontario. It is fully-permitted for 700 tonnes per day of production and is currently on care and maintenance. Onaman is an exploration-stage property located in the Beardmore-Geraldton mining camp near Thunder Bay, Ontario. It has two significant zones, Headway and Lynx with ~200 tonnes oz of NI 43-101 compliant AuEq. Information regarding the SISP can be found at [www.insolvencies.deloitte.ca/sagegoldinc](http://www.insolvencies.deloitte.ca/sagegoldinc). The Receiver must receive all non-binding indications of interest no later than 5:00 PM (Toronto time) on September 28, 2018 at the address below.

### **DELOITTE RESTRUCTURING INC.**

8 Adelaide Street West, Suite 200

Toronto, ON, M5H 0A9

Att: Razmig Boghossian

D: +1 (416) 354-1013

E-mail: [rboghossian@deloitte.ca](mailto:rboghossian@deloitte.ca)



**In the Matter of the Receivership of Sage Gold Inc.  
Receiver's Statement of Receipts and Disbursements  
For the period from August 18, 2018 to December 7, 2018**

<i>(Amounts include Cdn \$)</i>	<u>From Date To Date</u>	<u>13-Jul-18 17-Aug-18</u>	<u>18-Aug-18 7-Dec-18</u>	<u>Cumulative 7-Dec-18</u>	<u>Note</u>
<b>Opening Balance</b>			<b>456,182</b>		
<b>Receipts</b>					
Transfers from the Company's bank accounts		16,292	762	17,054	
HST receivable		42,799	64,874	107,673	(1)
Other cash receipts		24,052	10,000	34,052	
Receiver's certificates		549,000	350,000	899,000	(2)
Bank interest net of charges		-	413	335	
<b>Total receipts</b>		<b>632,143</b>	<b>426,049</b>	<b>1,058,114</b>	
<b>Disbursements</b>					
Clavos mine					
R. Ritchie Services Ltd.		66,079	375,486	441,565	(3)
Mine operating expenses		17,333	47,720	65,053	(4)
Equipment lease / rental		32,005	101,152	133,157	(5)
Mine repairs / maintenance		-	-	-	
Hydro and utilities		-	45,882	45,882	
Mine consultants and contractors		-	7,877	7,877	
Insurance		6,183	21,162	27,345	
Other mine expenses		-	6,140	6,140	
Head office					
Head office rent		-	2,572	2,572	
Management payroll		14,257	70,061	84,318	(6)
Other expenses		3,083	2,107	5,190	
Other contingency		-	-	-	
Priority Claims - WEPP		-	-	-	
Priority Claims - Deductions at Source		-	-	-	
Receiver fees		-	-	-	
Receiver's counsel fees		19,926	59,566	79,491	
Net GST/HST		17,019	90,606	107,625	
Bank charges net of interest		78	-	-	
<b>Total Disbursements</b>		<b>175,962</b>	<b>830,331</b>	<b>1,006,214</b>	
<b>Excess of Receipts and Disbursements</b>		<b>\$ 456,182</b>	<b>\$ 51,900</b>	<b>\$ 51,900</b>	(7)

**Notes**

- 1 HST receivable is related to refunds for pre-receivership period, June and July 2018, and post receivership period, August and September 2018.
- 2 CRH Funding II Pte. Ltd. has provided funding through Receiver's certificates to fund the operation.
- 3 Payments to R. Ritchie Services Ltd. in relation to the mining operation.
- 4 Payments in relation to the mine consumables, mine services and operational expenses of leased equipment.
- 5 Payments consist of equipment rental and a significant portion of the rent is related to the tractor and the compressor.
- 6 Includes salaries and payroll taxes of the two employees during the Interim Receivership and payments to the same employees who were hired by the Receiver as independent contractors in the Receivership.
- 7 Excess of Receipts and Disbursements represent the cash in the Receiver's bank account.