

District of British Columbia
Division No. 03 - Vancouver
Estate No. 11- 1904494
Court No. B-141089

IN THE SUPREME COURT OF BRITISH COLUMBIA

IN THE MATTER OF THE BANKRUPTCY OF

Creston Moly Corp.

TRUSTEE'S PRELIMINARY REPORT

September 24, 2014

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GLOSSARY

Ajax	An exploration stage molybdenum property located near Alice Arm, British Columbia
BIA	<i>Bankruptcy and Insolvency Act</i>
Bridge Loan	US\$15 million bridge loan advanced by Daselina to MPI
Company / Creston Moly	Creston Moly Corp.
Creston Moly Assets	Properties owned indirectly by Creston Moly: El Creston, Molybrook and Ajax
Daselina	Daselina Investments Ltd.
Debtors	Collectively, Mercator and Creston Moly
Deloitte/Trustee	Deloitte Restructuring Inc.
Ejido	Village disputing surface land ownership with Exploraciones regarding El Creston property
El Creston	A molybdenum/copper exploration and development project located in Sonora, Mexico
Exploraciones	Exploraciones Global SA de CV

FAS	Russian Federal Antimonopoly Services
Intergeo	Intergeo MMC Ltd.
Mercator	Mercator Minerals Ltd.
Mineral Park	A large tonnage, long life, producing copper/molybdenum mine located near Kingman, Arizona
Molybrook	An exploration stage molybdenum property located on the south coast of Newfoundland
MPI	Mineral Park Inc.
MPI Lenders	Collectively, Société Générale (the administrative agent), WestLB AG, Credit Suisse and Barclays Capital
NOI	Notice of Intention
Report	Trustee's Preliminary Report
RMB	RMB Australia Holdings Limited
RMB Facility	US\$30 million corporate debt facility provided by RMB to Mercator on December 20, 2012
SoA	Form 78 - Statement of Affairs, as prescribed under the BIA
SocGen Facility	Syndicated senior credit facility provided by the MPI Lenders to MPI in the amount of approximately USD\$103 million
SocGen Guarantee	Unsecured parent guarantee agreement dated October 23, 2012 under which Mercator guaranteed all the obligations of MPI to the MPI Lenders in certain circumstances
Tenajon	Tenajon Resources Corp.

1. Introduction

Creston Moly Corp. ("Creston Moly" or the "Company") is a wholly-owned subsidiary of Mercator Minerals Ltd. ("Mercator"), a base metals natural resource company engaged in the mining, development and exploration of its subsidiary-owned mineral properties in the United States of America, Mexico and Canada. Creston Moly is registered under the laws of the Province of British Columbia, Canada.

On August 26, 2014, Mercator and its directly owned subsidiary Creston Moly filed a Notice of Intention to make a proposal ("NOI") under Part III, Division I of the *Bankruptcy and Insolvency Act* ("BIA"). Deloitte Restructuring Inc. was appointed as the Proposal Trustee.

Mercator and Creston Moly (collectively, the "Debtors") were not able to obtain further sources of funding to allow a Proposal to be made to their creditors. Pursuant to Section 50.4(8) of the BIA, the Debtors were deemed to have filed assignments in bankruptcy on September 5, 2014. Deloitte Restructuring Inc. was appointed as Trustee in Bankruptcy ("Trustee") for the Debtors by the Official Receiver.

The purpose of the Trustee's Preliminary Report ("Report") is to:

- Provide background information concerning the Company and the causes of the Company's financial difficulties;
- Outline the key activities of the Trustee since its appointment; and
- Provide the Trustee's preliminary evaluation of the assets and liabilities of the Company.

Throughout this Report, amounts are expressed in Canadian Dollars, unless otherwise specified.

2. Creston Moly Overview

Mercator is the parent company of six wholly-owned subsidiaries: Creston Moly, Mercator Minerals (USA) Ltd., Stingray Copper Inc., Mercator Minerals (Barbados) Ltd., Mercator Mineral Park Holdings Ltd., and Lodestrike Resources Ltd. A copy of the Mercator group structure chart is attached as Appendix A.

Creston Moly is a holding company which owns a 100% interest in three mining properties via its wholly owned subsidiaries:

- El Creston: a molybdenum/copper exploration and development project located in Sonora, Mexico ("El Creston"). The rights to El Creston are owned by a Mexican registered subsidiary Exploraciones Global SA de CV ("Exploraciones"), which itself is wholly-owned by an intermediary holding company, Creston Mining Corporation ("Creston Mining").

- Ajax: an exploration stage molybdenum property located near Alice Arm, British Columbia ("Ajax"). Owned indirectly by Creston Moly via its wholly-owned subsidiary Tenajon Resources Corp. ("Tenajon").
- Molybrook: an exploration stage molybdenum property located on the south coast of Newfoundland ("Molybrook"). Owned indirectly by Creston Moly via its wholly-owned subsidiary Tenajon.

Creston Moly was acquired by Mercator in June 2011 via a plan of arrangement for a combination of shares in Mercator and cash, which valued Creston Moly at approximately \$195 million at the time of the transaction. Mercator's investment in Creston Moly has since been written down to nil in Mercator's financial statements.

Mercator was publicly traded on the Toronto Stock Exchange (TSX:ML). Trading in Mercator's shares was suspended on August 26, 2014 as a result of the NOI proceedings. Creston Moly was managed from Mercator's head office located in Vancouver, British Columbia. Creston Moly did not have any employees at the time of the assignment in bankruptcy.

We understand that Exploraciones, the wholly-owned subsidiary of Creston Mining and the entity that holds the rights to the El Creston property, has 3 employees in Mexico which are responsible for the maintenance of the property. Further, Exploraciones has outstanding mineral concession taxes of US\$42,000, lease surface rights payments of US\$23,000 and other accounts payable of US\$20,000 owing. In the past, Exploraciones has depended on funding from its ultimate parent, Mercator. Given the bankruptcy proceedings, the ongoing funding of this entity is subject to uncertainty.

We understand that Tenajon, the wholly-owned subsidiary of Creston Moly and the entity that holds the rights to Ajax and Molybrook has no operations or employees.

3. Background

In light of the commodity price environment and difficult capital market conditions, Mercator commenced a process to review its strategic alternatives in mid-2013 with the assistance of its financial advisor, BMO Nesbitt Burns Inc.

On December 12, 2013, Mercator announced that it had entered into an arrangement agreement ("Arrangement") and ancillary documentation with Intergeo MMC Ltd. ("Intergeo") to effect a business combination through a plan of arrangement under Canadian law.

In connection with this transaction, Daselina Investments Ltd. ("Daselina"), Intergeo's controlling shareholder, agreed to advance up to US\$15 million to MPI by way of a bridge loan ("Bridge Loan") to provide sufficient funding to stabilize its operations until the business combination transaction could be completed.

On April 29, 2014, Mercator agreed with Intergeo to certain amendments to the agreements executed in the Arrangement, including the extension of the completion deadline up to May 30, 2014 and, in certain circumstances, up to August 1, 2014, and additional interim funding. The completion deadline was extended to provide the Russian Federal Anti-Monopoly Services ("FAS"), the federal executive body responsible for foreign investments by Russian Federation entities, with additional time to complete its review of the response provided by Mercator and Intergeo to its request for information regarding the terms and conditions of the Arrangement. On July 2, 2014, FAS extended its review of Mercator's application for up to an additional two months.

On July 14, 2014, Intergeo advised Mercator that Intergeo was not expecting to request or agree to an extension of the completion deadline beyond August 1, 2014. Effective the end of the day on August 1, 2014, the Arrangement was terminated, and Intergeo provided a waiver of the non-solicitation provisions contained in the Arrangement agreement.

In addition to the Bridge Loan provided by Daselina, MPI has a syndicated senior credit facility in place with Société Générale (the administrative agent), WestLB AG, Credit Suisse and Barclays Capital (collectively, the "MPI Lenders") in the amount of approximately US\$103 million ("SocGen Facility") (which amount includes the obligations of MPI in respect of certain terminated copper hedge and interest rate swap contracts). Various defaults had occurred under the SocGen Facility and other credit facilities held by MPI and other related parties. As a result, the Mercator entities had been operating under forbearance arrangements with the applicable lenders.

After the expiration of the forbearance agreement with the MPI Lenders on August 15, 2014, Mercator continued to explore its strategic options. However, we understand that Mercator and the MPI Lenders were unable to come to an agreement to extend any further accommodations to MPI outside of bankruptcy. Subsequently, Mercator Mineral Park Holdings Ltd., MPI, Lodestrike Resources Ltd. and Bluefish Energy Corporation all filed for Chapter 11 protection under the Bankruptcy Code, in the United States Bankruptcy Court on August 25, 2014.

The SocGen Facility is supported by an unsecured parent guarantee agreement dated October 23, 2012 ("SocGen Guarantee"), under which Mercator guaranteed all the obligations of MPI to the MPI Lenders in certain circumstances. Given Mercator's lack of liquidity, the SocGen Guarantee, and Mercator's other liabilities, Mercator was unable to meet its current and future obligations. In order to allow time for the Debtors to restructure their operations and affairs, the Debtors filed an NOI on August 26, 2014 and Deloitte Restructuring Inc. consented to act as trustee under the NOI.

After filing the NOI, Mercator continued to solicit interest in Mercator and/or its assets, and to determine whether a transaction could be achieved to allow the Debtors to restructure their financial affairs. Mercator engaged in discussions with various interested parties to explore their interest in the assets of Mercator. However, due to the uncertainty surrounding the Chapter 11 proceedings, and the complex security structure associated with the Mercator's various lending facilities, it became apparent that it was unlikely that a transaction to

recapitalize Mercator which would allow the Debtors to make a viable Proposal to its creditors would be achieved.

Effective September 4, 2014 all of the Debtors' directors and officers resigned. Pursuant to Section 50.4(8) of the BIA, the Debtors were deemed to have made assignments in bankruptcy on September 5, 2014 as a result of the Debtors not filing the cash flow forecast with the Official Receiver within the prescribed statutory 10-day period. Deloitte Restructuring Inc. was appointed as Trustee by the Official Receiver, subject to affirmation by the creditors at the meeting of creditors on September 25, 2014.

4. Conservatory and Protective Measures

On September 5, 2014, the Trustee met with the former Corporate Secretary and Officer, Marc LeBlanc and the former CEO and Officer, Bruce McLeod at Mercator's office located at 1050 – 625 Howe Street, Vancouver, British Columbia. The Trustee took possession of the Company's books and records and was advised that, as a holding company, Creston Moly did not have any tangible assets other than its equity interests in Tenajon and Creston Mining.

The Trustee has engaged the services of the Company's former Exploration Manager to review, collate and secure the soft and hard copy records relating to El Creston, Ajax and Molybrook which will be required for undertaking a sale process (refer to Section 5(iii) for further details). The Trustee has also engaged the services of the Company's former Corporate Secretary to assist in the process of providing the relevant information required for the Trustee to assess the Company's assets and liabilities and the operations of its indirectly owned subsidiary, Exploraciones.

5. Assets

i) Cash

The Company had no cash balances as the date of the Trustee's appointment. The Trustee received a fee retainer for acting in the Creston Moly NOI and bankruptcy proceedings in the amount of \$40,000. These monies were provided by Mercator during the NOI proceedings.

ii) Intercompany Balances

Creston Moly's books indicate that it has the following intercompany balances owing to the Company, totaling \$25.4 million:

- Mercator \$1.3 million;
- Exploraciones \$23.7 million; and
- Creston Mining \$0.4 million.

The Company has estimated the net realizable value of these intercompany receivable balances in its Statement of Affairs ("SoA") at nil due to the uncertainty of the

outcome of the Mercator bankruptcy proceedings and since both Exploraciones and Creston Mining have no significant tangible assets other than their direct and indirect interests in El Creston (refer to Section 5(ii) for the Company's valuation of its equity interest in Creston Mining).

The Company's SoA is attached as Appendix B.

iii) **Investments in Subsidiaries**

Creston Moly's books indicate that it has the following investments in subsidiaries, totaling \$53.3 million:

- Tenajon \$17.9 million (owner of Ajax and Molybrook); and
- Creston Mining \$35.3 million (indirect owner of El Creston).

The Company has estimated the net realizable value of its equity interest in Tenajon at \$1.0 million, and in Creston Mining at \$3.0 million. The Trustee cautions that any realizable value will be dependent on the impact of the litigation outlined in Section 7 and the ability to continue to fund Exploraciones through a sale process. The Trustee intends to carry out a cost/benefit analysis of maintaining the Exploraciones entity and El Creston asset. It is also the intention of the Trustee to seek the approval of creditors to initiate a sale process to solicit interest in the Creston Moly Assets.

6. Creditors

i) **Secured Creditors**

The Trustee is not currently aware of any security interests attaching to Creston Moly, its subsidiaries or assets.

ii) **Unsecured Creditors**

Creston Moly has listed three unsecured creditors in its SoA:

- Tenajon \$2.9 million;
- Miller Thompson \$1,000; and
- Sattva Capital Corporation \$200,000.

iii) **Provable Claims**

At the time of finalizing this report, proofs of claims have been filed by Tenajon in the amount of \$2.9 million and Miller Thompson in the amount of \$2,124.

7. Legal Proceedings, Reviewable Transactions and Preference Payments

As at the date of this Report, the Trustee is aware of two outstanding litigation actions against Exploraciones which may impact the realizable value of Creston Moly's interest in El Creston, including:

- *Severance payment dispute*: In February 2014, Exploraciones was served in Mexico with a claim in the Mexican labour courts by the former Mexico country manager in respect of payments due for change of control provisions. The former country manager tendered his letter of resignation on November 1, 2013, with an effective date of December 31, 2013. Exploraciones engaged legal counsel to defend this matter. A hearing was scheduled to be held in August 2014, which has not yet occurred.
- *Surface land ownership dispute*: In November 2011 and February 2012, Exploraciones was served in connection with two lawsuits filed in Mexican Agrarian Court by certain members of the Ejido (village) that previously owned the surface land in question. These lawsuits seek to nullify the surface ownership right transfers of two parcels of land, Parcels 38 and 39, which transfers were originally negotiated by Exploraciones and the Ejido in 2007, and legally and finally effectuated and registered in March of 2011. The suits claim that the Notices of Intent to sell the surface land ownership rights to Exploraciones were not properly given. These Notices of Intent implement a right of first refusal process that is required under Mexican law to allow certain parties (to whom the Agrarian Law affords such right of first refusal) an opportunity to purchase the parcels for the same price and on the same terms being offered by the intended purchaser. The hearings and litigation in relation to this dispute is ongoing.

A preliminary review of the Company's books and records has not identified any reviewable transactions or preference payments.

8. Anticipated Realization and Projected Distribution

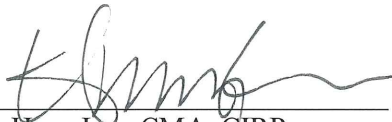
The level of realizations available to the unsecured creditors of Creston Moly is as yet unknown, and will depend primarily on the level of interest expressed by potential interested parties and the outcome of any sale of the Creston Moly Assets. The Trustee intends to commence a sale process of the Creston Moly Assets as soon as possible.

Dated at Vancouver, this 24th day of September, 2014.

DELOITTE RESTRUCTURING INC.

In its capacity as Trustee in Bankruptcy
of Creston Moly Corp.
and not in its personal capacity.

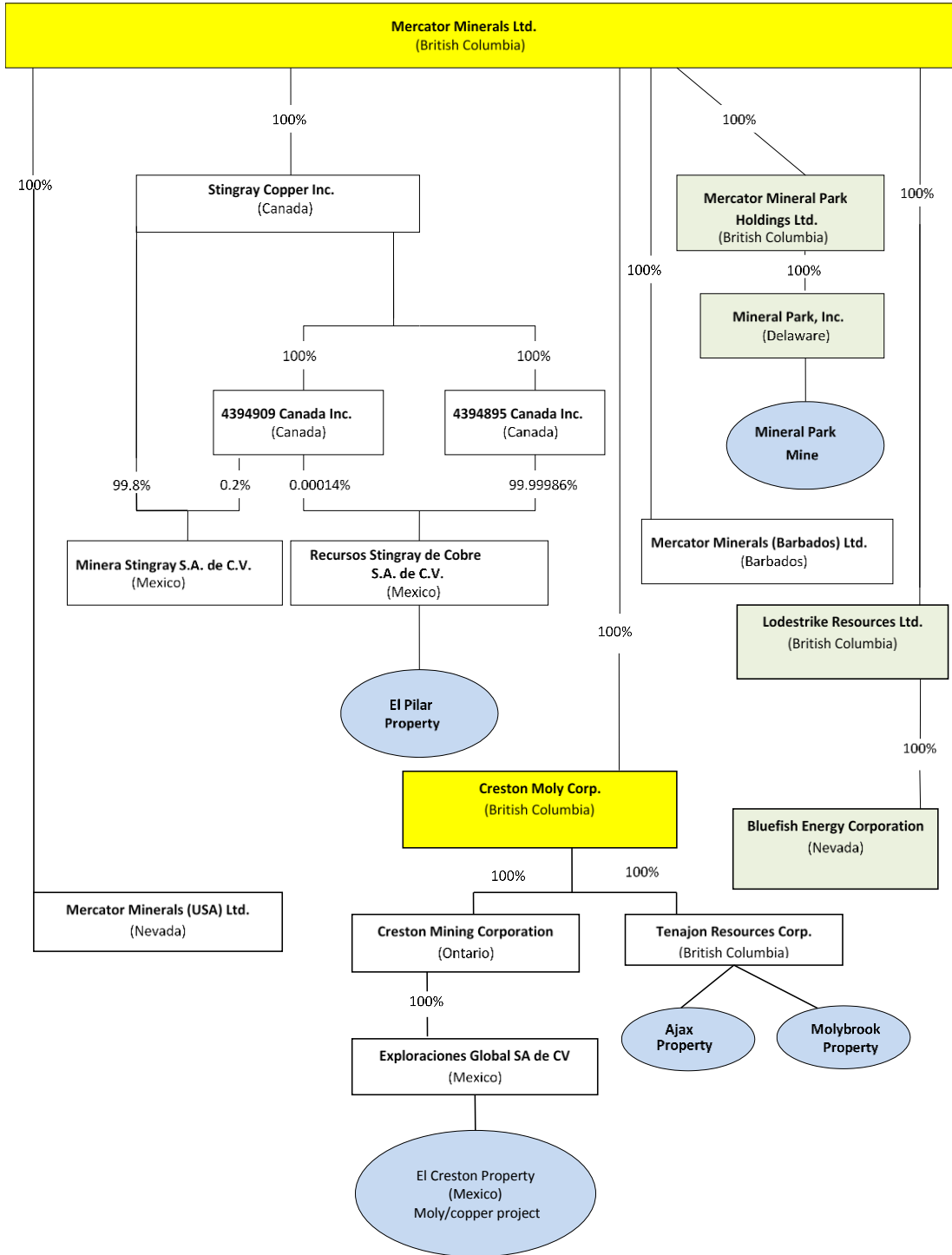
Per:



Huey Lee, CMA, CIRP
Trustee

APPENDIX A

Mercator Minerals Ltd. Group Structure Chart



APPENDIX B

Creston Moly Corp.'s Statement of Affairs dated September 5, 2014

District of: British Columbia
 Division No. 03 - Vancouver
 Court No. B-141089
 Estate No. 11-1904494

Original Amended

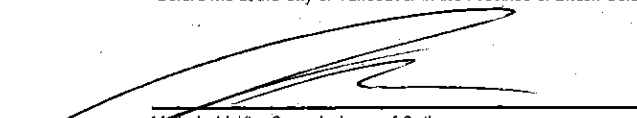
Form 78
 Statement of Affairs (Business Bankruptcy) made by an entity
 (Subsection 49(2) and Paragraph 158(d) of the Act / Subsections 50(2) and 62(1) of the Act)
 In the matter of the bankruptcy of
 Creston Moly Corp.
 of the City of Vancouver, in the Province of British Columbia

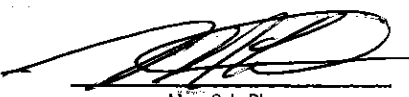
To the bankrupt:
 You are required to carefully and accurately complete this form and the applicable attachments showing the state of your affairs on the date of the bankruptcy, on the 5th day of September 2014. When completed, this form and the applicable attachments will constitute the Statement of Affairs and must be verified by oath or solemn declaration.

LIABILITIES (as stated and estimated by the officer)	ASSETS (as stated and estimated by the officer)
1. Unsecured creditors as per list "A"	1. Inventory
3,108,031.00	0.00
Balance of secured claims as per list "B"	2. Trade fixtures, etc.
0.00	0.00
Total unsecured creditors	3. Accounts receivable and other receivables, as per list "E"
3,108,031.00	Good
2. Secured creditors as per list "B"	0.00
0.00	Doubtful
3. Preferred creditors as per list "C"	0.00
0.00	Bad
4. Contingent, trust claims or other liabilities as per list "D" estimated to be reclaimable for	0.00
0.00	Estimated to produce
Total liabilities	0.00
3,108,031.00	4. Bills of exchange, promissory note, etc., as per list "F"
Surplus	0.00
891,969.00	5. Deposits in financial institutions
	0.00
	6. Cash
	0.00
	7. Livestock
	0.00
	8. Machinery, equipment and plant
	0.00
	9. Real property or immovable as per list "G"
	0.00
	10. Furniture
	0.00
	11. RRSPs, RRIFs, life insurance, etc.
	0.00
	12. Securities (shares, bonds, debentures, etc.)
	0.00
	13. Interests under wills
	0.00
	14. Vehicles
	0.00
	15. Other property, as per list "H"
	4,000,000.00
	If bankrupt is a corporation, add:
	Amount of subscribed capital
	0.00
	Amount paid on capital
	0.00
	Balance subscribed and unpaid
	0.00
	Estimated to produce
	0.00
	Total assets
	4,000,000.00
	Deficiency
	NIL

I, Marc S. LeBlanc, of the City of Vancouver in the Province of British Columbia, do swear (or solemnly declare) that this statement and the attached lists are to the best of my knowledge, a full, true and complete statement of my affairs on the 5th day of September 2014 and fully disclose all property of every description that is in my possession or that may devolve on me in accordance with the Act.

SWORN (or SOLEMNLY DECLARED)
 before me at the City of Vancouver in the Province of British Columbia, on this 10th day of September 2014.


 Melinda McKie, Commissioner of Oaths
 For the Province of British Columbia
 Expires Sep. 30, 2014


 Marc S. LeBlanc
 Former Director
 officer and employee

MELINDA C. MCKIE
 A Commissioner for Taking Affidavits
 Within the Province of British Columbia
 Suite 2800, 1055 Dunsmuir Street
 Vancouver, B.C. V7X 1P4
 Appointment Expires: September 30, 2014

District of: British Columbia
Division No. 03 - Vancouver
Court No. B-141089
Estate No. 11-1904494

FORM 78 -- Continued

List "A"
Unsecured Creditors

Creston Moly Corp.

No.	Name of creditor	Address	Unsecured claim	Balance of claim	Total claim
1	Miller Thompson	c/o David Mitchell Robson Court, 1000-840 Howe Street Vancouver BC V6Z 2S9	1,000.00	0.00	1,000.00
2	Sattva Capital Corporation	1155 Pender St W #708 Vancouver BC V6E 2P4	200,000.00	0.00	200,000.00
3	Tenajon Resources Corp.	c/o Dumoulin 10th Floor, 595 Howe Street Vancouver BC V6C 2T6	2,907,031.00	0.00	2,907,031.00
Total			3,108,031.00	0.00	3,108,031.00

10-Sep-2014

Date



Marc S. LeBlanc

Former Director, officer
& employee

District of: British Columbia
Division No. 03 - Vancouver
Court No. B-141089
Estate No. 11-1904494

FORM 78 -- Continued

List "B"
Secured Creditors

Creston Moly Corp.

No.	Name of creditor	Address	Amount of claim	Particulars of security	When given	Estimated value of security	Estimated surplus from security	Balance of claim
			0.00			0.00	0.00	0.00
		Total	0.00			0.00	0.00	0.00

10-Sep-2014

Date



Marc S. LeBlanc

Former Director, officer
& employee

District of: British Columbia
Division No. 03 - Vancouver
Court No. B-141089
Estate No. 11-1904494

FORM 78 - Continued


List "C"
Preferred Creditors for Wages, Rent, etc.

Creston Moly Corp.

No.	Name of creditor	Address and occupation	Nature of claim	Period during which claim accrued	Amount of claim	Amount payable in full	Difference ranking for dividend
Total:					0.00	0.00	0.00

10-Sep-2014

Date



Marc S. LeBlanc
Former Director, officer
& Employee

District of: British Columbia
Division No. 03 - Vancouver
Court No. B-141089
Estate No. 11-1904494

FORM 78 - Continued

List "D"
Contingent or Other Liabilities

Creston Moly Corp.

No.	Name of creditor or claimant	Address and occupation	Amount of liability or claim	Amount expected to rank for dividend	Date when liability incurred	Nature of liability
Total:			0.00	0.00		

10-Sep-2014

Date



Marc S. LeBlanc

Former Director, officer
& Employee

District of: British Columbia
Division No. 03 - Vancouver
Court No. B-141089
Estate No. 11-1904494

FORM 78 -- Continued

List "E"
Debts Due to the Bankrupt
Creston Moly Corp.

No.	Name of debtor	Address and occupation	Nature of debt	Amount of debt (good, doubtful, bad)	Folio of ledgers or other book where particulars to be found	When contracted	Estimated to produce	Particulars of any securities held for debt
			Total:	0.00 0.00 0.00			0.00	

10-Sep-2014

Date



Marc S. LeBlanc

Former Director, Officer
& Employee.

District of: British Columbia
Division No. 03 - Vancouver
Court No. B-141089
Estate No. 11-1904494


FORM 78 - Continued

List "G"
Real Property or Immovables Owned by Bankrupt
Creston Moly Corp.

Description of property	Nature of bankrupt interest	In whose name does title stand	Total value	Particulars of mortgages, hypothecs, or other encumbrances (name, address, amount)	Equity or surplus
Total:			0.00		0.00

10-Sep-2014

Date


Marc S. LeBlanc
Former Director, officer
& Employee

District of: British Columbia
 Division No. 03 - Vancouver
 Court No. B-141089
 Estate No. 11-1904494

FORM 78 - Concluded

List "H"
 Property


Creston Moly Corp.

FULL STATEMENT OF PROPERTY

Nature of property	Location	Details of property	Original cost	Estimated to produce
(a) Stock-in-trade			0.00	0.00
(b) Trade fixtures, etc.			0.00	0.00
(c) Cash in financial institutions			0.00	0.00
(d) Cash on hand			0.00	0.00
(e) Livestock			0.00	0.00
(f) Machinery, equipment and plant			0.00	0.00
(g) Furniture			0.00	0.00
(h) Life insurance policies, RRSPs, etc.			0.00	0.00
(i) Securities			0.00	0.00
(j) Interests under wills, etc.			0.00	0.00
(k) Vehicles			0.00	0.00
(l) Taxes			0.00	0.00
(m) Other		Intercompany due from Exploraciones Global SA de CV	23,717,272.00	0.00
		Intercompany due from Mercator Minerals Ltd.	1,265,463.00	0.00
		Investment in Tenajon Resources Corp.	17,939,372.00	1,000,000.00
		Investment in Creston Mining Corporation	35,348,682.00	3,000,000.00
		Intercompany due from Creston Mining Corporation	419,744.26	0.00
			Total:	4,000,000.00

10-Sep-2014

Date



Marc S. LeBlanc

*Former Director, Officer
& Employee*