

District of British Columbia
Division No. 03 - Vancouver
Estate No. 11- 1904501
Court No. B-141088

IN THE SUPREME COURT OF BRITISH COLUMBIA

IN THE MATTER OF THE BANKRUPTCY OF

Mercator Minerals Ltd.

TRUSTEE'S SECOND REPORT TO CREDITORS

September 16, 2015

TABLE OF CONTENTS

1. Introduction	1
2. Sale of Creston Moly	1
3. Sale of El Pilar	2
4. Mercator Minerals (Barbados) Ltd.	3
5. Mercator's Other Subsidiaries	4
6. Other Realizations	4
7. Claim Review Process	4
8. Administration of the Estate	5

APPENDICES

- A. Mercator Minerals Ltd. Group Structure Chart

1. Introduction

Mercator Minerals Ltd. ("**Mercator**" or the "**Company**") is 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.

On August 26, 2014, Mercator and its directly owned subsidiary Creston Moly Corp. ("**Creston Moly**") each 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 unable to make a Proposal 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.

On September 24, 2014, the Trustee filed its preliminary report to creditors (the "**Preliminary Report**") for each of the estates providing background information concerning the Debtors and outlining the key activities of the Trustee since its appointment.

The purpose of this second report to creditors (the "**Second Report**") is to provide a brief update regarding the Trustee's activities since the Preliminary Report, and to outline the next steps in the administration of the estate.

Throughout this Second Report, amounts are expressed in Canadian Dollars, unless otherwise specified. Information regarding these proceedings and copies of the Trustee's previous reports can be found on the Trustee's website at www.insolvencies.deloitte.ca. A copy of the Company's group structure is attached as **Appendix "A"**.

2. Sale of Creston Moly

Following an extensive sale process, the Trustee closed the sale of Creston Moly to Starcore Mines International Ltd. on February 13, 2015 for cash consideration of \$2 million (the "**Creston Transaction**"). The Creston Transaction resulted in net proceeds to the Mercator bankruptcy estate ("**Mercator Estate**") of \$1.4 million after transaction costs and the payment in full of Creston Moly's unsecured creditors.

The Creston Transaction required the discharge of both Creston Moly from bankruptcy, and Deloitte Restructuring Inc. as Trustee. These discharges took place on February 24, 2015. Further details regarding the Creston Transaction and Creston Moly proceedings are outlined in the Creston Moly Trustee's Final Report dated January 29, 2015.

3. Sale of El Pilar

Mercator is the parent company of a wholly-owned subsidiary, Stingray Copper Inc. (“**Stingray**”). Stingray, via its wholly-owned direct and indirect subsidiaries, owned a 100% interest in an advanced development stage copper project located in Sonora, Mexico (“**El Pilar**”).

In October, 2014, Stingray commenced a sale process for El Pilar (the “**El Pilar Sale Process**”). Stingray engaged RBC Dominion Securities Inc. as financial advisor and Deloitte Corporate Finance Inc. as strategic advisor to assist with and advise on the El Pilar Sale Process. Given Mercator's equity interest in Stingray, the Trustee was also involved with the El Pilar Sale Process.

In order to maximize value, Stingray ran a broad sale process marketing El Pilar to a large number of potential strategic and financial buyers. Following extensive negotiations, a share purchase agreement was entered into between Stingray, the Trustee, and a subsidiary of Grupo Mexico S.A.B de CV. (BMV:GMEXICOB) (the “**Purchaser**”) on March 12, 2015 for the sale of Stingray's wholly-owned Canadian subsidiaries, 4394909 Canada Inc. and 4394895 Canada Inc., which indirectly own El Pilar via their various wholly-owned Mexican subsidiaries (the “**SPA**”).

The transaction closed on July 6, 2015 (the “**Closing Date**”) for total cash consideration of US\$100 million (the “**El Pilar Transaction**”). As contemplated by the SPA, the creditors with security interests against Stingray and El Pilar, RMB Australia Holdings Limited and Daselina Investments Ltd. (the “**Secured Creditors**”), were repaid in full from the transaction proceeds and released their respective security interests on the Closing Date. The transaction proceeds were disbursed as follows:

- US\$51.1 million To the Secured Creditors;
- US\$9.3 million To pay various Secured Creditor and Stingray transaction costs;
- US\$5.0 million To the Mercator Trustee (the “**Initial Trustee Payment**”);
- US\$2.0 million Closing working capital adjustment hold-back; and
- US\$32.6 million To the escrow agent, Laurel Hill Advisory Group (the “**Escrow Fund**”).

Pursuant to the SPA, the Escrow Fund is held by the escrow agent as a deferred payment to cover any amounts payable by Stingray in the event that the Purchaser makes a valid claim in relation to any breaches of representations, warranties or obligations contained in the SPA by Stingray (“**Escrow Claims**”). The Escrow Fund is also held as a deferred payment of any Mexican taxes due in relation to the El Pilar Transaction (“**Mexican Taxes**”). The balance of the Escrow Fund net of any Escrow Claims and Mexican Taxes will be released to Stingray in two tranches; 50% on the date that is six months following the Closing Date (January 6, 2016), and 50% on the 12 month anniversary of the Closing Date (July 6, 2016).

Stingray is in the process of seeking a letter ruling in Mexico from the Ministry of Finance and Public Credit declaring that the El Pilar Transaction is not subject to income tax in Mexico.

With the closing of the El Pilar Transaction, substantially all of Stingray's assets have now been realized upon, and the Trustee understands that Stingray has limited other liabilities. Accordingly, it is anticipated that the Mercator Estate will ultimately be the beneficiary of substantially all of the amounts released to Stingray from the Escrow Fund, net of any consulting costs and general corporate expenses of Stingray, in addition to the Initial Trustee Payment already paid to the Mercator Estate.

4. Mercator Minerals (Barbados) Ltd.

In March 2008, Mineral Park Inc. ("**MPI**"), an indirect wholly-owned subsidiary of Mercator, entered into an agreement (the "**MPI Silver Purchase Agreement**") with Mercator Minerals (Barbados) Ltd. ("**Mercator Barbados**"), also a wholly-owned subsidiary of Mercator. Pursuant to the MPI Silver Purchase Agreement, MPI agreed to sell to Mercator Barbados, and Mercator Barbados agreed to purchase from MPI, an amount of silver equal to one hundred percent (100%) of the number of ounces of silver mined, produced, extracted or otherwise recovered from the Mineral Park mine operated by MPI. Pursuant to a separate silver purchase agreement (the "**Mercator Barbados Silver Purchase Agreement**") between Mercator Barbados, Mercator and Silver Wheaton (Caymans) Ltd ("**Silver Wheaton**"), Mercator Barbados agreed to sell its purchased silver to Silver Wheaton.

Mercator Barbados was set-up for the purpose of administering the MPI Silver Purchase Agreement and the Mercator Barbados Silver Purchase Agreement. Following the insolvency of MPI in the U.S., Mercator Barbados filed a Notice of Intention to make a proposal in Barbados, which subsequently converted to a bankruptcy on February 18, 2015. Ernst & Young Services Limited was appointed as Trustee in bankruptcy of Mercator Barbados (the "**Barbados Trustee**"). The only asset of Mercator Barbados at the date of the bankruptcy was approximately USD\$450k in cash.

The Barbados Trustee is in the process of reviewing the unsecured claims against Mercator Barbados which have been filed by Silver Wheaton, MPI and Mercator. The extent to which Mercator has any interest in the cash balance held in the Mercator Barbados estate will depend on the outcome of the claim review process.

5. Mercator's Other Subsidiaries

As previously advised in the Preliminary Report, Mercator's wholly-owned, direct and indirect subsidiaries, MPI, Mineral Park Holdings Ltd., Lodestrike Resources Ltd., and Bluefish Energy Corporation (collectively, the "U.S. Filers") all filed for Chapter 11 protection under the Bankruptcy Code, in the United States Bankruptcy Court on August 25, 2014.

The Trustee has been monitoring the progress of the U.S. proceedings. Based on the level of anticipated realizations from the U.S. Filers assets, and the amount of secured and unsecured liabilities of the U.S. Filers, the Trustee does not anticipate that any material realizations will be obtained in relation to Mercator's unsecured claims and equity interests in the U.S. Filers.

6. Other Realizations

At the date of the Trustee's appointment, the Company had a cash balance of \$154,198 which has been received into the Trustee's account. In addition, the Company has provided a fee retainer to the Trustee for acting in Mercator's NOI and bankruptcy proceedings in the amount of \$85,000.

The Trustee has collected rent receivables from sub-tenants of the Company's offices in the amount of \$8,711 and arranged for the sale of the Company's office furniture and equipment for \$6,100 plus applicable taxes.

7. Claim Review Process

On April 27, 2015, the Trustee issued a notice to all known creditors that had not yet proven their claims stating that all proof of claim forms (with supporting documentation) must be submitted to the Trustee by no later than May 28, 2015 in order to be eligible for a dividend distribution.

The Trustee has reviewed all the claims submitted, a summary of which is set-out below.

Claim Status	Number of claims	Value of claims CAD\$
Accepted	37	\$121,051,892.67
Partially rejected	2	Accepted: \$24,556.20 Rejected: \$12,959.85
Under review	1	\$116,035,772.20

The Trustee is in the process of reviewing one claim, that of Silver Wheaton, in the amount of \$116,035,772.20 (the "**Silver Wheaton Claim**"). Silver Wheaton contends that its claim arises as a result of Mercator having guaranteed the performance of Mercator Barbados under the Mercator Barbados Silver Purchase Agreement and having indemnified Silver Wheaton for its losses and damages pursuant to the terms of the Mercator Barbados Silver Purchase Agreement.

Given the quantum and complexity of the Silver Wheaton Claim and related supporting documentation, it is anticipated that this process may take several weeks to months to complete. The Trustee intends to share its preliminary findings in due course. Those creditors which may have an interest in reviewing and providing input on the preliminary findings may do so by requesting a copy from the Trustee. Such request should be made by sending an email to Paul Chambers at pachambers@deloitte.ca. After receiving input on its preliminary findings, the Trustee intends to make a determination of the validity and quantum of the Silver Wheaton Claim.

8. Administration of the Estate

The primary ongoing activities of the Trustee are anticipated to include:

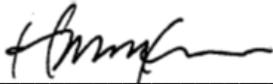
- Managing all the post-closing obligations related to the El Pilar Transaction, including the letter ruling process in Mexico, closing working capital adjustment and any Escrow Claims;
- Undertaking a detailed review to determine the Silver Wheaton Claim; and
- Liaising with the Barbados Trustee in relation to the outcome of its claim review process for the Mercator Barbados estate.

Dated at Vancouver, this 16th day of September, 2015.

DELOITTE RESTRUCTURING INC.

In its capacity as Trustee in Bankruptcy
of Mercator Minerals Ltd.
and not in its personal capacity.

Per: _____



Huey Lee, MBA, CPA, CMA, CIRP
Trustee

APPENDIX A Mercator Minerals Ltd. Group Structure Chart

