

March 12, 2020

**To all the proven creditors of
Mercator Minerals Ltd.**

Dear Sirs/Mesdames:

**Re: In the Matter of the Bankruptcy of Mercator Minerals Ltd.
Notice of Second Interim Distribution**

On September 5, 2014, Mercator Minerals Ltd. ("**Mercator**") was deemed to have filed an assignment in bankruptcy pursuant to the *Bankruptcy and Insolvency Act* (Canada). Deloitte Restructuring Inc. was appointed as Trustee in Bankruptcy of the estate of Mercator (in such capacity, the "**Trustee**").

On February 27, 2020, the Trustee declared a second interim distribution to all proven creditors in the amount of CDN\$8,650,000 or CDN\$0.069 per CDN\$1.00 (6.9%) of all admitted unsecured claims.

In keeping with the process used for the first interim distribution, the Trustee intends to pay the second interim distribution through issuing US dollar denominated cheques (except as otherwise requested by a small number of creditors). Dividends paid in US dollars will be converted at the US dollar to Canadian dollar exchange rate in effect on the date the distribution was declared, being 1.3361. The Trustee intends to issue the dividend cheques in the week commencing March 23, 2020.

Attached to this letter is a copy of the Trustee's Fourth Report to Creditors dated March 12, 2020 providing a brief update regarding the activities of the Trustee since the Trustee's Third Report to Creditors dated January 18, 2017 and outlining the next steps in the administration of the estate. Attached to the report as Appendix B is a dividend sheet showing the amounts that creditors will receive from the interim distribution, net of the prescribed levy to the Office of the Superintendent of Bankruptcy.

Should you have any questions regarding these proceedings or the payment you will be receiving, please do not hesitate to contact Mr. Paul Chambers at (604) 640-3368.

Yours truly,

DELOITTE RESTRUCTURING INC.

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



Paul Chambers, CIRP, LIT
Senior Vice President

Enclosures: Trustee's Fourth Report to Creditors

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 FOURTH REPORT TO CREDITORS

March 12, 2020

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1. Introduction

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

On September 16, 2015, the Trustee filed its second report to creditors (the "**Second Report**") to provide an update regarding the Trustee's activities since the Preliminary Report.

On January 18, 2017, the Trustee filed its third report to creditors (the "**Third Report**") to provide an update regarding the activities of the Trustee since the Second Report and to give details of the first interim distribution to creditors.

The purpose of this fourth report to creditors ("**Fourth Report**") is to provide a brief update regarding the activities of the Trustee since the Third Report, to give details of the second interim distribution to creditors, and to outline the next steps in the administration of the estate.

Throughout this Fourth 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 <http://www.insolvencies.deloitte.ca/en-ca/Pages/mercator.aspx>.

2. Stingray Copper Inc. Corporate Tax

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**").

As detailed in the Third Report, on March 12, 2015 a share purchase agreement was entered into between Stingray, the Trustee, and a subsidiary of Grupo Mexico S.A.B de CV. for the sale of Stingray's wholly-owned Canadian subsidiaries which indirectly owned El Pilar via their various wholly-owned Mexican subsidiaries. The transaction closed on July 6, 2015 for total cash consideration of US\$100 million (the "**El Pilar Transaction**").

The El Pilar Transaction gave rise to taxable income in Stingray's 2015 taxation year and a corresponding corporate tax liability of approximately \$8.0 million ("**2015 Tax Liability**"). This amount was remitted by Stingray to Canada Revenue Agency ("**CRA**") on July 19, 2016 from the El Pilar Transaction proceeds.

The Mercator group had certain assets (intercompany loans and wholly owned subsidiary corporations) with accrued tax losses (that is, assets with a high Canadian tax basis but no realizable value). Accordingly, the Trustee undertook an investigation to determine whether the Mercator group could utilize those accrued tax losses to carryback and offset against the earlier gain from the El Pilar Transaction, thereby reducing the 2015 Tax Liability and making additional funds available for the creditors. The Trustee was advised that if suitable steps were taken (the "**Corporate Reorganization**"), the accrued tax losses could be carried back to offset the earlier gain in accordance with the rules in the *Income Tax Act* (Canada).

In November 2017, the inspectors of the estate (the "**Inspectors**") approved the Trustee to move ahead with the Corporate Reorganization to enable the majority of the 2015 Tax Liability (excluding interest charged by CRA) to be refunded to Stingray and thereby ultimately becoming available for distribution to Mercator's creditors, net of advisory fees and transaction costs.

The Corporate Reorganization was undertaken in December 2017.

On July 31, 2018, Stingray received a notice of reassessment from CRA disallowing the 2015 loss carryback claim, in part due to CRA clerical errors and a misunderstanding related to the steps taken in the Corporate Reorganization. For the next nine months, the Trustee and Stingray's advisors engaged in various correspondence with CRA in relation to the Corporate Reorganization and to provide additional information requested by CRA as it undertook its review of the 2015 loss carryback claim.

In March 2019, CRA concluded its review, and on March 21, 2019, Stingray received a refund from CRA in relation to the 2015 Tax Liability in the amount of \$7,882,391 ("**Stingray CRA Refund**").

3. Dissolution of Stingray and Distribution to Mercator

As set out in the Third Report, following the El Pilar Transaction, on October 3, 2016, the Trustee provided a direction to Stingray ("**Dividend Direction**") whereby Stingray was directed to pay a dividend to Mercator in the amount of US\$27,100,000 ("**Dividend Funds**"), with the balance of funds in the amount of approximately US\$1,000,000 held by Stingray to

cover any future costs of maintaining the company in good standing, general corporate expenses and advisor/legal fees in relation to the Corporate Reorganization.

Stingray made payment of the Dividend Funds to Mercator on October 5, 2016 and the majority of these funds were subsequently distributed to creditors in the first interim distribution to creditors declared on January 17, 2017 and paid in February 2017.

Pursuant to the Dividend Direction, the Trustee provided a limited indemnity to Stingray and its director, Mr. LeBlanc ("**Stingray Indemnity**"), capped at a maximum amount of US\$6,500,000.

Following the receipt of the Stingray CRA Refund, the Trustee and Stingray entered into discussions regarding the process by which Stingray would wind-up its affairs and distribute its remaining cash to the Trustee.

In December 2019, the Trustee provided a direction to Stingray (the "**Final Distribution Direction**") whereby Stingray was directed to effect the dissolution of Stingray in accordance with Division 2 of Part 10 of the *Business Corporations Act* (British Columbia) as soon as practicable following payment to the Trustee of US\$604,421 and CDN\$8,012,529 ("**Final Stingray Funds**"), representing all of its remaining cash after settlement of its professional fees related to the Corporate Reorganization.

The Trustee received the Final Stingray Funds on December 20, 2019 and Stingray then took the required actions to dissolve, including filings which resulted in the issuance of a certificate of dissolution by the Registrar.

Pursuant to the Final Distribution Direction, the Trustee amended the Stingray Indemnity to provide a limited indemnity to Stingray and Mr. LeBlanc (the "**Amended Stingray Indemnity**") which will expire on December 21, 2020 (the "**Indemnity Period**"). The Amended Stingray Indemnity is limited to a maximum amount of US\$6,500,000 and the Trustee is required to hold the balance of US\$6,500,000 in escrow for the Indemnity Period.

4. Mercator Minerals (Barbados) Ltd.

Mercator Minerals (Barbados) Ltd. ("**Mercator Barbados**"), a wholly-owned subsidiary of Mercator, 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\$450,000 in cash.

The Barbados Trustee has now completed its administration of the Mercator Barbados bankruptcy estate and was discharged in October 2018. Prior to its discharge, the Barbados Trustee made distributions to the Trustee totaling US\$306,853, which funds are now available to be distributed to Mercator creditors as part of the second interim distribution.

5. Goods and Services Tax

In November 2019, the Trustee received a final statement of audit adjustments from CRA related to certain Goods and Services Tax (“**GST**”) returns covering the period October 1, 2015 to December 31, 2018. The Trustee then received notices of reassessment totaling approximately \$88,889 related to input tax credits (“**ITC**”) previously refunded by CRA to the Trustee, in addition to interest and charges thereon (the “**GST Clawback Amount**”). The GST Clawback Amount was subsequently paid by the Trustee in December 2019.

In addition to the GST Clawback Amount, CRA has disallowed ITCs claimed in respect of certain GST returns covering the periods October 1, 2017 to December 31, 2018 and amounting to \$40,711 (the “**Unpaid ITCs**”).

CRA has taken the position that Mercator is engaged in exempt activities. However, the Trustee is of the view that Section 186 of the *Excise Tax Act* (“**ETA**”) is applicable, which has the effect of enabling a holding company to claim ITCs by deeming a holding company to be acquiring property and services for use in commercial activities, to the extent they are acquired in relation to the shares or indebtedness in the underlying operating company.

The Trustee discussed this matter with the Inspectors in a meeting held on November 25, 2019. The Inspectors approved the Trustee to move ahead with drafting and filing a notice of objection, with a view to recovering the GST Clawback Amount and the Unpaid ITCs from CRA (“**GST Notice of Objection**”).

6. Statement of Receipts and Disbursements

The Trustee's summarized statement of receipts and disbursements for the period September 5, 2014 to February 27, 2020 (the “**Period**”) is attached as Appendix A (including the declared and accrued second interim distribution as discussed in section 7 of this Fourth Report).

In total, during the Period the Trustee has achieved gross realizations of \$54,199,374, and made disbursements of \$4,261,733 (using the average CAD/USD rate on the date of each receipt/disbursement transaction).

Trustee fees and disbursements for the Period have amounted to \$2,067,615. The Trustee's fees and disbursements have been reviewed and approved by the Inspectors, and will be subject to Court taxation.

Fees and disbursements of the Trustee's legal counsel for the Period have amounted to \$969,973 (inclusive of PST). The Trustee's legal counsel's fees and disbursements have been reviewed and approved by the Trustee and the Inspectors, and will be subject to Court taxation.

After payment of the second interim distribution, the Trustee will be retaining a balance of \$9,187,640 (using the CAD/USD rate on February 27, 2020, being 1.3361).

7. Second Interim Distribution

Having consulted with and received directions from the Inspectors, on February 27, 2020, the Trustee declared a second interim distribution of CDN\$8,650,000 or CDN\$0.069 per CDN\$1.00 (6.9%) of all admitted unsecured claims.

As per the first distribution to creditors, and pursuant to the direction of the Inspectors, the Trustee intends to pay the second interim distribution by issuing US dollar denominated cheques. Dividends paid in US dollars will be converted at the US dollar to Canadian dollar average exchange rate in effect on the date the distribution was declared, being 1.3361. The Trustee has previously received requests from six creditors requesting funds in Canadian dollars.

Dividends are issued net of the levy to the Office of Superintendent in Bankruptcy, as prescribed by the BIA. A list of admitted claims and the dividend amounts that will be paid to creditors is attached as Appendix "B" to this Fourth Report.

The Trustee intends to issue the second interim dividend cheques to proven creditors in the week commencing March 23, 2020.

The timing and quantum of any final distribution to creditors will depend on the outcome of the GST Notice of Objection and release of the Amended Stingray Indemnity funds from escrow.

8. Administration of the Estate

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

- Payment of the second interim distribution to creditors;
- Dealing with the GST Notice of Objection;
- Preparing and filing Mercator's tax return for the year ended December 31, 2019; and
- Payment of estate costs and a final distribution to creditors.

Dated at Vancouver, this 12th day of March, 2020.

DELOITTE RESTRUCTURING INC.

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

Per: 
Paul Chambers, CIRP, LIT

APPENDIX A
Receipts and disbursements for the period September 5, 2014 to February 27, 2020

RECEIPTS:	<u>CDN\$</u>	<u>CDN\$</u>
1. Asset Realization		
Cash in bank	154,198.23	
Furniture	6,100.00	
Other assets	42,267,868.68	
Promissory notes	<u>74,680.00</u>	42,502,846.91
2. Tax Refund		
GST refund	<u>121,775.84</u>	121,775.84
3. Miscellaneous		
Funds from retainer	85,000.00	
Other/trust funds	8,565,700.00	
Recovery of shares	385,207.99	
Rental Income	8,710.74	
Insurance refund	5,637.45	
Interest allocation	355,138.99	
Miscellaneous other receipts	26,760.01	
GST collected	793.04	
Sale of shares in Creston Moly Corp	2,000,000.00	
Foreign exchange gain/(loss)	<u>141,802.85</u>	11,574,751.07
TOTAL RECEIPTS		<u>54,199,373.82</u>
DISBURSEMENTS		
4. Fees Paid		
To registrar and official receiver	300.00	300.00
5. Premium		
Bond or Suretyship premium	58,730.00	
Insurance	<u>21,668.53</u>	80,398.53
6. Other notices and reports		
Postage	<u>362.92</u>	362.92
7. Trustee's remuneration		
Trustee's fees	2,067,615.00	
GST charged on Trustee remuneration	<u>103,380.77</u>	2,170,995.77
8. Federal and Provincial taxes		
GST paid on disbursements exclusive of fees	<u>59,844.00</u>	59,844.00
9. Counseling fees		
Outside consulting	<u>309,870.35</u>	309,870.35
10. Miscellaneous		
Bank charges	1,429.16	
Telephone	1,086.24	
Other misc disbursements	497,368.12	
Utilities	1,556.85	
Occupation rent	6,660.28	
Legal fees/disbursements	969,972.66	
HST/GST remitted	88,888.61	
Promissory note to Creston Moly Corp	<u>73,000.00</u>	1,639,961.92
TOTAL DISBURSEMENTS:		<u>4,261,733.49</u>
Amount available for distribution		<u>49,937,640.33</u>
11. Levy payable under section 147 of the Act		<u>159,375.00</u>
12. Unsecured creditors		
Proved claims of	126,062,100.58	
First Interim Dividend - Declared Jan 17, 2017	32,100,000.00	less levy 137,750.00
Second Interim Dividend - Declared Feb 27, 2020	8,650,000.00	less levy 21,625.00
		<u>8,628,375.00</u>
13. Amount retained in the Trust account by the Trustee:		<u>9,187,640.33</u>
14. Note: USD amounts have been converted to CAD at the average rate on the date of each receipt/disbursement transaction.		
USD balances retained in the Trust account by the Trustee are converted to CAD at the average rate on February 27, 2020, being 1.3361		

APPENDIX B
Second Interim Dividend Sheet

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

SECOND INTERIM DIVIDEND SHEET
 In the matter of the bankruptcy of
 Mercator Minerals Ltd.
 of the City of Vancouver, in the Province of British Columbia

Date declared: February 27, 2020

	Total Dividend Payments (in CAD)				Second Interim Dividend Payments							
	Claim \$	Dividend \$	Levy \$	Payment \$	CAD			USD				
					Dividend \$	Levy \$	Payment \$	Dividend \$	Levy \$	Payment \$		
Unsecured												
Adnet Communications Inc.	855.75	276.62	1.08	275.54	58.72	0.15	58.57	-	-	-	-	-
Aurora Resource Group Ltd	6,444.91	2,083.34	8.15	2,075.19	-	-	-	330.99	0.83	330.16	-	-
BDO Canada LLP	24,850.35	8,032.96	31.42	8,001.55	-	-	-	1,276.22	3.19	1,273.03	-	-
Blake, Cassels & Graydon LLP	67,547.64	21,835.00	85.40	21,749.60	-	-	-	3,468.99	8.67	3,460.32	-	-
Broadridge Financial Solutions	6,108.12	1,974.47	7.72	1,966.75	-	-	-	313.69	0.78	312.91	-	-
Bruce McLeod	773,295.10	249,970.25	977.64	248,992.61	53,061.17	132.65	52,928.52	-	-	-	-	-
CML Professional Accounting Corporation	3,159.82	1,021.42	3.99	1,017.44	-	-	-	162.28	0.41	161.87	-	-
Daniel Tellechea	70,890.79	22,915.69	89.62	22,826.07	-	-	-	3,640.68	9.10	3,631.58	-	-
David Jan	224,766.08	72,656.39	284.16	72,372.23	-	-	-	11,543.12	28.86	11,514.26	-	-
David Visagie	151,291.48	48,905.48	191.27	48,714.21	-	-	-	7,769.75	19.42	7,750.33	-	-
Deborah Williams	1,016.48	328.58	1.29	327.30	69.75	0.17	69.58	-	-	-	-	-
Dorsey & Whitney LLP	11,103.68	3,589.30	14.04	3,575.27	-	-	-	570.24	1.43	568.81	-	-
DuMoulin Black LLP	321,308.14	103,863.94	406.22	103,457.72	-	-	-	16,501.15	41.25	16,459.90	-	-
E. Madill Office Company (2001) Ltd.	603.72	195.15	0.76	194.40	-	-	-	31.00	0.08	30.92	-	-
Edward L. Devenyns	61,814.20	19,981.65	78.15	19,903.50	-	-	-	3,174.54	7.94	3,166.60	-	-
Elaine Shum	115.39	37.30	0.15	37.15	-	-	-	5.93	0.01	5.92	-	-
Employment and Social Development Canada	12,027.17	3,887.82	15.21	3,872.63	-	-	-	617.67	1.54	616.13	-	-
Gary Simmerman	25,527.73	8,251.92	32.27	8,219.66	-	-	-	1,311.01	3.28	1,307.73	-	-
Ipreo Holdings LLC	8,167.50	2,640.17	10.33	2,629.85	-	-	-	419.45	1.05	418.40	-	-
John H. Bowles	85,230.00	27,550.89	107.75	27,443.13	5,848.22	14.62	5,833.60	-	-	-	-	-
KPMG LLP	49,455.00	15,986.50	62.52	15,923.97	-	-	-	2,539.82	6.35	2,533.47	-	-
Landsberg and Associates	9,480.02	3,064.45	11.99	3,052.46	-	-	-	486.86	1.22	485.64	-	-
Loewen Associates LLC	16,388.70	5,297.70	20.72	5,276.98	-	-	-	841.66	2.10	839.56	-	-
Marc LeBlanc	384,303.79	124,227.50	485.86	123,741.65	-	-	-	19,736.37	49.34	19,687.03	-	-
Mark Distler	425,526.75	137,552.96	537.98	137,014.98	-	-	-	21,853.42	54.63	21,798.79	-	-
Michael Broch	355,130.72	114,797.21	448.98	114,348.23	-	-	-	18,238.15	45.60	18,192.55	-	-
Pitney Bowes	1,252.01	404.72	1.58	403.14	-	-	-	64.30	0.16	64.14	-	-
Pitney Works	75.69	24.47	0.10	24.37	-	-	-	3.89	0.01	3.88	-	-
Robert J. Quinn	129,910.81	41,994.11	164.24	41,829.86	-	-	-	6,671.72	16.68	6,655.04	-	-
Rogers Communications Bankruptcies	726.20	234.75	0.92	233.84	-	-	-	37.29	0.09	37.20	-	-
Roman Friedrich	55,891.15	18,067.00	70.66	17,996.34	-	-	-	2,870.36	7.18	2,863.18	-	-
Ron Vankoughnett	125,519.46	40,574.59	158.69	40,415.90	-	-	-	6,446.20	16.12	6,430.08	-	-
Shaw Cable Systems	343.54	111.05	0.43	110.61	-	-	-	17.64	0.04	17.60	-	-
Shred-It International Inc.	204.87	66.22	0.26	65.97	-	-	-	10.52	0.03	10.49	-	-
Silver Wheaton (Caymans) Ltd.	5,263,664.37	1,701,497.29	6,654.63	1,694,842.67	-	-	-	270,321.63	675.80	269,645.83	-	-
Société Générale	116,333,214.53	37,605,104.71	147,075.18	37,458,029.53	-	-	-	5,974,428.02	14,936.07	5,959,491.95	-	-
St. Bernadine Mission Communications Inc.	3,221.75	1,041.44	4.07	1,037.37	-	-	-	165.46	0.41	165.05	-	-
Steelhead Business Products	1,628.24	526.33	2.06	524.27	-	-	-	83.62	0.21	83.41	-	-
Stephen Quin	80,070.65	25,883.11	101.23	25,781.88	-	-	-	4,112.12	10.28	4,101.84	-	-
Stikeman Elliott LLP	969,717.55	313,464.47	1,225.97	312,238.49	66,539.08	166.35	66,372.73	-	-	-	-	-
Van Houtte Coffee Services Inc.	250.73	81.05	0.32	80.73	17.20	0.04	17.16	-	-	-	-	-
Total	126,062,100.58	40,750,000.00	159,375.00	40,590,625.04	125,594.15	313.99	125,280.16	6,380,065.75	15,950.16	6,364,115.60		

NOTE - Amounts are converted to USD at the average rate on the dates the dividends were declared (Second Dividend, February 27, 2017, 1.336 and First Dividend, January 17, 2017, 1.306).