

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

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.

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**").

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 12th and 13th 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 20th and as a result,

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 30th 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

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;

- 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.

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

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.

All of which is respectfully submitted at Toronto, Ontario this 26th 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

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

Per:

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

A handwritten signature in blue ink, appearing to read "Rob 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 MISTER)
JUSTICE HAINEY)
FRIDAY, THE 13TH
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;

- (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.

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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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.

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 AN
INTERIM RECEIVER)**

STIKEMAN ELLIOTT LLP
Barristers & Solicitors
5300 Commerce Court West
199 Bay Street
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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**

	<u>25-Jul</u>	Note
Receipts		
Scrap sales	\$ 24,052	(1)
Other cash receipts	-	
Receiver's Certificate	170,000	
Total Receipts	\$ 194,052	
Disbursements		
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	
Total Disbursements	\$ 89,601	
Excess of Receipts and Disbursements	\$ 104,452	

(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.