

CANADA
PROVINCE OF QUEBEC
DISTRICT OF ABITIBI
DIVISION NUMBER: 12-Abitibi
COURT NUMBER: 615-11-001401-142
ESTATE NUMBER: 33-1909014

SUPERIOUR COURT
Commercial Division

**IN THE MATTER OF THE PROPOSAL
OF:**

AURBEC MINES INC., a legal person, duly incorporated according to law, having its head office and principal place of business at 1495, 4e Rue, Val-d'Or, Quebec, J9P 6X1

Insolvent person

– and –

SAMSON BÉLAIR/DELOITTE & TOUCHE INC.
(**Jean-François Nadon**, CPA, CA, CIRP, designated person) having a place of business at 1 Place Ville Marie, Suite 3000, Montreal, Quebec, H3B 4T9

Trustee

**REPORT OF THE TRUSTEE ON THE MONITORING OF THE INSOLVENT PERSON'S
BUSINESS AND FINANCIAL AFFAIRS
(Subparagraph 50.4(7)(b)(ii) and Subsection 50.4(9) of the BIA)**

I, the undersigned, Jean-François Nadon, CPA, CA, CIRP, with the firm of Samson Bélair/Deloitte & Touche Inc., Trustee acting *in re*: the notice of intention to make a proposal (“**NOI**”) of Aurbec Mines Inc. (“**Aurbec**”), the insolvent person, am hereby reporting my principal observations regarding the insolvent person's business and financial affairs to the Court pursuant to subparagraph 50.4(7)(b)(ii) of the *Bankruptcy and Insolvency Act* (“**BIA**”).

1. The above-mentioned insolvent person filed a NOI on September 8, 2014.
2. On October 8, 2014, Aurbec obtained an additional period of 44 days, up to November 21, 2014, to make its proposal (“**First Extension Period**”).
3. In preparing this third report (“**Third Report**”), the Trustee has relied upon unaudited financial information, Aurbec's records and its discussion with the management of Aurbec (the “**Management**”). While the Trustee has analyzed the information, he has not performed an audit or otherwise verified such information.

4. Aurbec is a company operating in the exploration, development and operation of gold mining sites located in Quebec. The Sleeping Giant gold mining site ("**Sleeping Giant**") and Vezza gold mining site ("**Vezza**") are presently not being operated by Aurbec. Both mining sites are in care and maintenance.
5. Matters addressed in this Third Report:
 - a. Trustee's activities since October 8, 2014;
 - b. Aurbec's activities from October 8 to November 18, 2014;
 - c. Aurbec's application for a 45-day extension of the stay proceedings;
 - d. Trustee's recommendation.
6. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian dollars. Capitalized terms not defined in this Third Report are as defined in the First Report and Second Report.

TRUSTEE'S ACTIVITIES

7. On October 16, 2014, the Trustee sent a notice to all of the insolvent person's known creditors of the First Extension Period.
8. The Trustee has performed a weekly review of the actual receipts and disbursements.
9. On November 5, 2015, the Trustee has submitted its Second Report on the sale of the ordinary course of business assets.
10. Since the filing of the NOI, the Trustee has held weekly conference calls with Management and Cyrus, the main secured lender, which holds security on all the assets of Aurbec and has a first ranking on all assets except for Vezza.

AURBEC'S ACTIVITIES

11. As explained in the First Report, since June 2014, Management, with the assistance of Clarus, has been actively searching for a potential investor. Management continues to entertain discussions with potential investors, but has yet to receive a letter of intention.
12. As mentioned previously, Vezza is not currently operating and Management has yet to conclude on a short-term strategy regarding the future of this site. Discussions with the creditors holding a first-ranking security on Vezza have been initiated.
13. Aurbec's employees processed the final mine out at Sleeping Giant. The mill clean-out is completed. Management decided, after analyzing different alternatives, to outsource the ongoing care and maintenance of both sites after November 21, 2014. A third party has been chosen and Aurbec is currently finalizing the details of the agreement.
14. On November 7, 2014, the Court authorized Aurbec to sell assets outside the ordinary course of business as further described in the Trustee's Second Report and on the motion posted on Deloitte's web site: <http://www.insolvencies.deloitte.ca/fr-ca/Pages/Mines-Aurbec-Inc.aspx>

15. The actual results for the eight-week period ended November 9, 2014 are presented in Appendix A.
16. Total receipts for Aurbec were \$3.0M, representing a favorable variance of approximately \$1.4M which is mainly explained by additional gold ounces processed and sold out of Sleeping Giant.
17. Total disbursements were \$1.6M, representing a favorable variance of \$129K which is mainly explained by less maintenance expenses (\$57K), professional fees (\$60K), site administration costs (\$45K) and transfers to Maudore (\$50K) than anticipated. These favorable variances are partially compensated by an additional reimbursable deposit required by Hydro-Québec, explaining the unfavorable variance of \$92K in energy. Most of these favorable variances are due to timing.
18. Management prepared a revised cash flow up to the week ending January 4, 2015, refer to Appendix B. According to this budget, Management intends to pay severances, accrued vacation and retention bonuses owed to employees, including senior management, representing approximately \$711K. As mentioned previously, Management and Cyrus have been in regular communications regarding the operations of Aurbec and Maudore. Cyrus has received the attached cash-flow for the period ending January 4, 2015 and has been noticed directly on several occasions of Management intention regarding these payments and Cyrus has not contested those.

EXTENSION OF THE STAY PROCEEDINGS

19. The insolvent person signified its intention to the Trustee to file a first motion for a 45-day extension of the stay proceedings to make a proposal to its creditors pursuant to Subsection 50.4(9) of the BIA, the whole as it appears in the court file.

TRUSTEE'S RECOMMENDATION

20. The Trustee is of the opinion that the reasons invoked in the motion presented by the insolvent person for a 30-day extension of the stay proceedings are reasonable.
21. The Trustee is of the opinion, based on the grounds alleged in the motion for an extension of the stay proceedings, that:
 - a. It is in the creditors' best interest for an extension of the stay proceedings to be granted in order to allow Aurbec more time to make a viable proposal to its creditors;
 - b. Aurbec has acted – and is continuing to act – in good faith and with due diligence;
 - c. Creditors will not suffer losses as compared to the situation at the time that the NOI was filed.

AURBEC MINES INC.

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Report on the Monitoring of the Insolvent Person's
Business and Financial Affairs
November 19, 2014

DATED AT MONTREAL on this 19th day of November 2014.

SAMSON BÉLAIR/DELOITTE & TOUCHE INC.
Trustee acting *in re*: the proposal of
AURBEC MINES INC.



Jean-François Nadon, CPA, CA, CIRP

Trustee's Report on the State of the Insolvent Person's Business and Financial Affairs

APPENDIX A

Aurbec Mines Inc.			
Statement of receipts and disbursements			
For the period from September 15 to November 9, 2014			
	8-week period ended November 9, 2014		
	Budget	Actual	Variance
	(\$)	(\$)	(\$)
Receipts			
Metal Sales	1,155,189	2,561,958	1,406,769
Other inflows	439,460	486,015	46,555
	<u>1,594,649</u>	<u>3,047,973</u>	<u>1,453,324</u>
Disbursements			
Salaries	732,201	748,812	(16,611)
Energy	157,150	248,821	(91,671)
Maintenance	61,908	5,208	56,700
Mining and milling costs	197,313	177,370	19,943
Environment	64,708	55,973	8,735
Office and administration costs	32,283	40,088	(7,805)
Insurance	98,106	98,793	(687)
Professional fees	60,000	-	60,000
Exploration costs	6,400	959	5,441
Site administration costs	144,356	99,645	44,711
Transfers to Maudore Minerals Ltd.	240,078	190,000	50,078
	<u>1,794,503</u>	<u>1,665,669</u>	<u>128,834</u>
Projected bank balance variation	(199,854)	1,382,304	1,582,158
Bank balance - beginning	541,276	551,126	9,850
Bank balance - ending	341,422	1,933,430	1,592,008

APPENDIX B

Aurbec Mines Inc.
Statement of receipts and disbursements
For the period from November 10, 2014 to January 4, 2015

	Period from <u>11/10/2014 to 1/4/2015</u>
	(\$)
<i>Receipts</i>	
Metal Sales	815,840
Other inflows (note 1)	810,000
	<u>1,625,840</u>
<i>Disbursements</i>	
Salaries	885,219
Energy	233,750
Maintenance	48,204
Mining and milling costs	4,261
Environment	41,052
Office and administration costs	69,974
Insurance	98,106
Professional fees	40,000
Exploration costs	6,650
Site administration costs	130,242
Transfers to Maudore Minerals Ltd.	709,922
	<u>2,267,380</u>
<i>Projected bank balance variation</i>	(641,540)
<i>Bank balance - beginning</i>	<u>1,933,430</u>
<i>Bank balance - ending</i>	<u><u>1,291,890</u></u>

Note 1: Balance of the purchase price relating to the sale of equipment to Accès Industriel.