

IN THE SUPREME COURT OF BRITISH COLUMBIA

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,
R.S.C. 1985, c. C-36

- AND -

IN THE MATTER OF THE *CANADA BUSINESS CORPORATIONS ACT*,
R.S.C. 1985 c. C-44

- AND -

IN THE MATTER OF THE BRITISH COLUMBIA *BUSINESS CORPORATIONS ACT*,
S.B.C. 2002, c. 57

- AND -

IN THE MATTER OF
REDCORP VENTURES LTD.
and REDFERN RESOURCES LTD.

NINTH REPORT OF THE RECEIVER
ALVAREZ & MARSAL CANADA INC.
(FORMERLY MCINTOSH & MORAWETZ INC.)

INTRODUCTION

1. This report (the “**Ninth Report**”) is filed by Alvarez & Marsal Canada Inc., formerly McIntosh & Morawetz Inc. (“**A&M**”), in its capacity as Court-appointed Interim Receiver and Receiver (in such capacities, the “**Receiver**”) of certain assets, undertakings and properties of Redcorp Ventures Ltd. (“**Redcorp**”) and Redfern Resources Ltd. (“**Redfern**”) (collectively, the “**Petitioners**” or the “**Companies**”).

2. Pursuant to an order of the Supreme Court of British Columbia (the “**Court**”) dated May 29, 2009 (the “**Appointment Order**”), A&M was appointed Receiver, without security, of the Petitioners’ current and future personal assets, undertakings and properties, including all proceeds thereof, including, without limitations, all cash, money, goods, equipment, inventory, books and records, securities, choses in action, instruments, document of title, accounts, receivables, intangibles, certain mineral claims as administered by the Ministry of Energy, Mines and Petroleum Resources and certain royalty or other interests arising from oil and gas properties (collectively, the “**Property**”).
3. Pursuant to the Appointment Order, the appointment of the Receiver does not extend to nor does the Property include any interest of the Companies in:
 - (a) any real property or land interests, including without limitation any interests held in accordance with titles issued in accordance with the *Land Title Act of British Columbia*, including the real property constituting the mine site known as the Tulsequah Project;
 - (b) certain Asset Backed Commercial Paper (“**ABCP**”) secured in favour of HSBC Bank Canada (“**HSBC**”) as described in paragraph 1 of the Order granted by this Honourable Court on April 6, 2009, save and except for any interest receivable owing in respect of the predecessor notes to the ABCP for the period prior to the Receiver’s appointment;

- (c) amounts held by CIBC Mellon Trust Company in an interest escrow account and payable to the holders of the secured notes (the “**Note Holders**”) in accordance with paragraphs 6(d) and 10(a) of the Initial Order granted on March 4, 2009; and
 - (d) any amounts deposited at HSBC and Royal Bank of Canada (“**RBC**”) or elsewhere by Redfern and secured in favour of parties in accordance with certain Safekeeping Agreements under the *Mines Act* and Standby Letters of Credit issued under the *Fisheries Act*.
4. On June 29, 2009, the Companies were assigned into bankruptcy and Abakhan & Associates Inc. (the “**Trustee**”) was appointed as Trustee in Bankruptcy of the estates of each of Redcorp and Redfern. The appointment of the Trustee was affirmed at the first meetings of creditors in the bankruptcies held on July 20, 2009.
 5. The Receiver has previously filed eight reports, as well as a supplement to its Third Report, with this Honourable Court. Summaries of the First through Eighth Reports and the supplement to the Third Report are provided in **Appendix “A”** attached.
 6. The Receiver has also filed two applications, without a hearing and by consent, during these receivership proceedings which are also described in Appendix “A”.
 7. A copy of the prior reports of the Receiver and the prior orders of this Honourable Court can be found at the Receiver’s website at www.amcanadadoes.com/redcorp.
 8. All terms not otherwise defined herein shall have the meanings ascribed to them in the Receiver’s prior reports.

PURPOSE OF THIS REPORT

9. This Ninth Report is filed in support of the Receiver's motion seeking an order from this Honourable Court:

- (a) authorizing and directing the Receiver to make a tenth interim distribution of \$675,000 to the Note Trustee for the Note Holders in partial payment of the Secured Notes; and
- (b) approving the activities of the Receiver from September 20, 2012 (the date of the Eighth Report) to the date of this Ninth Report;

BACKGROUND

10. Redcorp's principal business was the acquisition, exploration and development of mineral properties, with its primary asset being a 100% interest in the Tulsequah Project located 100 km south of Atlin, British Columbia. The Tulsequah Project is a mine that was being developed for the production of gold, silver, copper, lead, and zinc. Redcorp's primary exploration and development activities were carried on through its wholly-owned subsidiary, Redfern. Redfern was the registered holder of 38 mineral rights in the Tulsequah Project comprised of 25 Crown granted mineral claims and 13 MTOs. Redfern also owned the mining equipment assets of the Companies.

RECEIVER'S RECEIPTS AND DISBURSEMENTS

11. The Receiver is currently holding approximately \$724,000 (CDN\$673,190 and US\$50,608) in its trust accounts.

12. A combined summary of the Receiver's receipts and disbursements for Redcorp and Redfern for the period May 29, 2009 to December 4, 2013 (the "**Schedule of Receipts and Disbursements**") is attached hereto as **Appendix "B"**. The primary components of the funds currently on hand are approximately \$475,000 of HST refunds and proceeds from further equipment sales.

PROPOSED TENTH DISTRIBUTION

13. The Court has previously approved nine interim distributions totalling \$39,225,000 (including \$7,425,000 paid directly to the Note Trustee on the closing of the mineral claims Asset Purchase Agreement and \$1.5 million paid to the Note Trustee by Davis from the Permits Funds and the Licenses Funds). The current outstanding indebtedness to the Note Holders (after application of the \$39.2 million referenced above and distributions made by the Trustee in Bankruptcy), excluding accrued interest, is approximately \$101 million.
14. The Note Holders' Committee has requested that the Receiver seek this Honourable Court's approval to make a tenth distribution in the amount of \$675,000 to the Note Trustee (the "**Proposed Distribution**").
15. Based on the Receiver's combined summary of receipts and disbursements, and taking into consideration the hold back itemized below, the Receiver is of the view that the Proposed Distribution is appropriate at this time.

	As at Dec. 4, 2013 (in \$CDN 000s)
Cash on deposit in Receiver's trust accounts	\$724
Less proposed hold back amounts:	
Provision for future expenses (before net future realizations on non-cash assets)	(49)
Proposed Distribution	\$675

16. As described in the First Report: (i) the Monitor's legal counsel in the CCAA proceedings provided a legal opinion to the Monitor that the security documents related to the Secured Notes (the "**Security**") "constitutes a valid and binding obligation of and is enforceable against the party granting same and creates a valid perfected security interest in the collateral described therein"; and (ii) the records of the Personal Property Registry record the Note Trustee as having registered its security in priority to all other registrations.

THE RECEIVER'S ACTIVITIES

17. Since the date of the Eighth Report, the Receiver's activities have included, among other things, the following:
- providing periodic updates to the Note Holders' Committee on significant receivership matters;
 - communicating with Global Sales and Appraisals Inc. regarding their continuing efforts to market and sell the Companies' remaining equipment pursuant to the Liquidation and Sale Agreement previously entered into with the Receiver;

- communicating with Redfern's insurance broker regarding the expiry/renewal of insurance policies and reduction of coverage on the sale of assets;
- preparing and filing required HST returns and administering various other Canadian and U.S. statutory filings;
- communicating with KPMG in respect of tax related matters;
- assisting Chieftain Metals Inc. ("**Chieftain**"), the purchaser of Redfern's mineral rights, with efforts to have certain cumulative Canadian exploration expense tax balances transferred to Chieftain via a successor election to be filed with the Canada Revenue Agency;
- responding to creditor and other enquiries; and
- maintaining the schedules of the Receiver's receipts and disbursements, and managing all banking-related matters generally.

SUMMARY COMMENTS AND RECOMMENDATIONS

18. Following the Proposed Distribution, the Receiver will continue to hold approximately \$49,000 to fund future professional fees and disbursements and other costs to conclude these receivership proceedings.
19. Based on the foregoing, the Receiver respectfully recommends that this Honourable Court grant an order:
 - (a) authorizing and directing the Receiver to make the Proposed Distribution of \$675,000 to the Note Trustee for the Note Holders in partial payment of the Secured Notes;

- (b) approving the activities of the Receiver from September 20, 2012 (the date of the Eighth Report) to the date of this Ninth Report; and
- (c) granting such further and other relief as counsel may advise and this Honourable Court may permit.

All of which is respectfully submitted this 6th day of December, 2013.

**Alvarez & Marsal Canada Inc. (formerly McIntosh
& Morawetz Inc.), solely in its capacity as
Court-Appointed Interim Receiver and Receiver of
Redcorp Ventures Ltd. and Redfern Resources Ltd.**



Per: Alan J. Hutchens
Senior Vice-President

SUMMARY OF REPORTS FILED BY THE RECEIVER

The Receiver has previously filed eight reports, as well as a supplement to its Third Report, with this Honourable Court, summarized as follows:

1. The Receiver’s First Report to Court

The First Report of the Receiver dated June 23, 2009 (the “**First Report**”) was filed in support of the Receiver’s motion that sought, among other things, an order from this Court that authorized and directed the Receiver to make an interim distribution of \$20 million to CIBC Mellon Trust Company as Note Trustee (the “**Note Trustee**”), for holders of the 13% senior secured redeemable series D Notes (the “**Secured Notes**”) in partial repayment of the Secured Notes.

On June 26, 2009, the Court granted an order that approved the First Report and granted the relief sought therein.

2. The Receiver’s Second Report to Court

The Second Report of the Receiver dated August 11, 2009 (the “**Second Report**”) was filed in support of:

- (i) the Receiver’s motion that sought, among other things, an order from this Court releasing and discharging the Administration Charge of \$1 million provided in the Appointment Order, and approving a summary Court approval process to obtain vesting orders as required; and
- (ii) the motion of the former Directors and Officers of the Companies seeking an order from this Court approving the Directors and Officers claims procedure (the “**D&O Claims Procedure**”).

On August 20, 2009, this Court granted orders that:

- (i) approved the Second Report and granted the relief sought therein;

- (ii) approved the D&O Claims Procedure; and
- (iii) approved a summary Court approval process to obtain vesting orders as required.

3. The Receiver's Third Report to Court and Supplemental Report Thereto

The Third Report of the Receiver dated October 20, 2009 (the **"Third Report"**) was filed in support of the Receiver's motion that sought orders from this Court:

- (i) approving the Proposed Sale Transactions (as defined therein, which included the sale of two marine vessels (barges), the RDV-WHO and the RDV-KEETU) and vesting right, title and interest in the applicable assets free and clear of all liens, security interests and other encumbrances to the respective purchasers;
- (ii) partially releasing and discharging the Directors' Charge provided in the Appointment Order from \$5 million to \$915,000;
- (iii) authorizing and directing the Receiver to pay \$1,202,056.77, representing interest received on Redcorp's former ABCP investments, to the Trustee of Redcorp; and
- (iv) authorizing and directing the Receiver to make a second interim distribution of \$5.5 million to the Note Trustee for the Note Holders in partial repayment of the Secured Notes.

In a Supplement to the Third Report dated October 21, 2009 (the **"Supplemental Third Report"**) the Receiver sought the Court's approval of the sale of the Modular Camp (as defined in the Supplemental Third Report) and an associated vesting order, as well as authorization to file a Stipulation with the U.S. Court, as Foreign Representative in the Companies' Chapter 15 Proceedings, that the Chapter 15 stay of proceedings be waived for the purposes of that specific sale transaction.

On October 23, 2009, the Court granted four orders which collectively granted the relief sought in the Third Report and the Supplemental Third Report.

4. The Receiver's Fourth Report to Court

The Fourth Report of the Receiver dated September 14, 2010 (the "**Fourth Report**") was filed in support of the Receiver's motion that sought orders from this Court:

- (i) approving the sale transaction proposed therein and the APA (as defined therein, which included the sale of the Tulsequah Project) for and vesting right, title and interest in the applicable assets free and clear of all liens, security interests and other encumbrances, other than Permitted Encumbrances (as defined therein) to the respective purchasers, and directing the Prince Rupert Land Title Office to transfer the fee simple interest to the Real Estate (as defined in the APA) and the undersurface rights in respect of the Mineral Claims (as defined in the APA) to the respective purchaser, and authorizing and directing the Receiver, together with the purchaser, to register a notice of the transfer of the mineral titles online claims (as defined in the APA) under the *Mineral Tenure Act*;
- (ii) authorizing and directing the Receiver to pay to the Trustee of Redcorp \$401,000 representing interest received on Redcorp's former ABCP investments;
- (iii) authorizing and directing the Receiver's legal counsel, Davis, to pay to the Trustee of Redfern \$150,341.27 (less \$12,500 to be remitted to the Receiver on account of its fees and disbursements (including legal fees)) held in the trust bank accounts of Davis, representing the net proceeds from the sale of Redfern's former oil and gas interests;
- (iv) releasing and discharging the Directors' Charge;
- (v) authorizing and directing the Receiver to make fourth and fifth interim distributions of \$850,000 and \$7.425 million, respectively, to the Note Trustee for the Note Holders in partial repayment of the Secured Notes, where the fifth interim distribution of \$7.425

million was only authorized and directed to be made following the Closing of the sale transaction described therein; and

- (vi) approving the activities of the Receiver from October 20, 2009 (the date of the Third Report) to September 14, 2010 (the date of the Fourth Report).

On September 22, 2010, the Court granted two orders which collectively granted the relief sought in the Fourth Report.

5. The Receiver's Fifth Report to Court

The Fifth Report of the Receiver dated March 15, 2011 (the **"Fifth Report"**) was filed in support of the Receiver's motion that sought orders from this Court:

- (i) approving the proposed sale transaction for the RDV Gator, a Canadian tug boat registered in Canada and moored in Juneau, Alaska;
- (ii) vesting in North American Construction Group Inc. all right, title and interest in the Gator Tug free and clear of all liens, security interests and other encumbrances;
- (iii) authorizing and directing the Receiver to make a sixth interim distribution of \$1 million to the Note Trustee for holders of the Secured Notes in partial repayment of the Secured Notes and, upon receipt of the Licenses Funds (as defined in the Fifth Report), to make a further seventh interim distribution to the Note Trustee of up to \$500,000; and
- (iv) approving the activities of the Receiver from September 14, 2010 (the date of the Fourth Report) to the date of the Fifth Report.

On March 25, 2011, the Court granted two orders which collectively granted the relief sought in the Fifth Report.

6. The Receiver's Sixth Report to Court

The Sixth Report of the Receiver dated May 13, 2011 (the "**Sixth Report**") was filed in support of the Receiver's motion that sought orders from this Court:

- (i) approving the proposed sale transaction for eight generator sets and related equipment (collectively, the "**Gensets**"), some of which was stored in Juneau, Alaska, and some of which was stored in Savona, British Columbia;
- (ii) vesting in R.J. Turner and Associates Inc. all right, title and interest in the Gensets free and clear of all liens, security interests and other encumbrances;
- (iii) authorizing and directing the Receiver to pay to the Trustee of Redfern \$814,971 upon closing of the Genset Sale Transaction;
- (iv) authorizing and directing the Receiver to make an eighth interim distribution of \$1.5 million to the Note Trustee for the Note Holders in partial repayment of the Secured Notes;
- (v) authorizing and directing the Receiver to direct Davis to pay NC Power Systems Company the sum of \$55,606, plus a per diem of \$19.26 after the date of the Sixth Report, in full satisfaction of its interest in the proceeds from the sale of the Gator Tug; and
- (vi) approving the activities of the Receiver from March 15, 2011 (the date of the Fifth Report) to the date of the Sixth Report.

On May 20, 2011, the Court granted two orders which collectively granted the relief sought in the Sixth Report.

7. The Receiver's Seventh Report to Court

The Seventh Report of the Receiver dated July 4, 2011 (the "**Seventh Report**") was filed in support of the Receiver's motion that sought orders from this Court:

- (i) approving the proposed sale transaction for eight floatation cells and related equipment, including sixty 600 volt Teco-Westinghouse motors located in Juneau, Alaska, Savona, British Columbia and Edmonton, Alberta (the "**Proposed Sale Transaction**");
- (ii) vesting in Pine Point Holding Corp. all right, title and interest in the Float Cells free and clear of all liens, security interests and other encumbrances;
- (iii) upon closing of the Proposed Sale Transaction, authorizing and directing the Receiver to direct Davis to pay to the Trustee of Redfern, the Non-BC Float Cell Proceeds in the amount of \$555,508;
- (iv) upon closing of the Proposed Sale Transaction, authorizing and directing the Receiver to direct Davis to pay:
 - i. \$32,770 to Teco-Westinghouse (Canada), Inc. ("**Teco**");
 - ii. \$18,165 to Alaska Marine Lines ("**AML**"); and
 - iii. \$138,600 to Global Sales & Appraisals Inc. ("**GSAI**"),in full satisfaction of storage costs owing to Teco and AML, and commissions owing to GSAI; and
- (v) approving the activities of the Receiver from April 29, 2011 (the date of the Sixth Report) to the date of this Seventh Report.

On July 8, 2011, the Court granted an order that approved the Seventh Report and granted the relief sought therein.

8. The Receiver's Eighth Report to Court

The Eighth Report of the Receiver dated September 20, 2012 (the "**Eighth Report**") was filed in support of the Receiver's motion that sought an order from this Court:

- (i) authorizing and directing the Receiver to direct Davis to pay from the Guarantee Proceeds \$626,253.38 to the Receiver and \$382,750.62 to the Trustee, plus accrued interest on a pro-rata basis;
- (ii) upon receipt of its allocation of the Guarantee Proceeds, authorizing and directing the Receiver to make a ninth interim distribution of \$950,000 to the Note Trustee for the Note Holders in partial payment of the Secured Notes; and
- (iii) approving the activities of the Receiver from July 4, 2011 (the date of the Seventh Report) to the date of the Eighth Report.

On October 1, 2012, the Court granted an order that approved the Eighth Report and granted the relief sought therein.

9. Applications Filed Without a Hearing and by Consent

On application by the Receiver, without a hearing and by consent, on January 12, 2010, this Honourable Court granted an order authorizing the Receiver to make a third interim distribution in the amount of \$1.5 million to the Note Trustee for the Note Holders in partial repayment of the Secured Notes.

On application by the Receiver, without a hearing, on July 22, 2010, this Court granted an order (the "**Koppers Ball Mill Order**"), among other things, approving the sale of certain assets ("**Koppers Ball Mill Assets**") by the Receiver and the Trustee to Mine Source Inc., vesting title to the Koppers Ball Mill Assets in the nominee of Mine Source Inc. free and clear of all Encumbrances (as defined in the Koppers Ball Mill Order), and directing the distribution of the proceeds to certain parties in payment of storage arrears, 40% of the net balance to the Trustee and the remainder to the Receiver to

be held pending further order. The Receiver subsequently obtained an order from the Honourable Karen A. Overstreet of the United States Bankruptcy Court, Western District of Washington, pursuant to Chapter 15 of the United States Bankruptcy Code on July 27, 2010, recognizing the terms of the Koppers Ball Mill Order and vesting the Koppers Ball Mill Assets held in the United States in the name of the purchaser.

REDCORP VENTURES LTD. / REDFERN RESOURCES LTD.
(In Receivership)

Consolidated Receipts and Disbursements Schedule
for the period May 29, 2009 to December 4, 2013

	Redcorp Ventures Ltd.		Redfern Resources Ltd.		TOTAL	
	CDNS	USD	CDNS	USD	CDNS	USD
Receipts:						
Recovery of advances and refunds	\$126,847.00	-	\$341,268.00	\$5,846.26	\$468,115.00	\$5,846.26
Proceeds from asset sales	11,553.00	-	5,801,611.80	840,567.00	5,813,164.80	840,567.00
Settlement proceeds	-	-	633,635.25	-	633,635.25	-
Income tax refunds	195,000.00	-	44,391.53	-	239,391.53	-
Transfers from company bank accounts	30,963,473.00	2,226.38	580,696.00	154,443.80	31,544,169.00	156,670.18
HST refunds	90,504.85	-	377,166.59	-	467,671.44	-
Miscellaneous receipts	-	0.75	18,130.21	36.17	18,130.21	36.92
Total Receipts	\$31,387,377.85	\$2,227.13	\$7,796,899.38	\$1,000,893.23	\$39,184,277.23	\$1,003,120.36
Disbursements:						
Interim distributions to CIBC Mellon	25,500,000.00	-	4,800,000.00	-	30,300,000.00	-
Note holder distribution	-	-	29,870.00	-	29,870.00	-
ABCP interest transferred to Trustee in Bankruptcy	1,605,607.00	-	(2,500.00)	-	1,603,107.00	-
Cannon Western Constructors Inc. - holdback amount	148,517.00	-	-	-	148,517.00	-
Arctic Construction Ltd. - holdback and related interest	-	-	192,438.00	-	192,438.00	-
Salaries, wages and casual, including source deductions	252,121.30	-	81,346.53	123,722.85	333,467.83	123,722.85
Bank service charges	795.20	349.00	969.00	2,164.70	1,764.20	2,513.70
Professional fees:						
Otherwise covered by CCAA Admin Charge	255,875.00	-	-	-	255,875.00	-
Consultant	34,405.15	-	40,121.20	-	74,526.35	-
Legal	330,756.48	-	729,538.03	83,146.70	1,060,294.51	83,146.70
Receiver	1,683,223.35	-	536,764.85	-	2,219,988.20	-
Commission on sale of camp equipment	-	-	175,507.25	-	175,507.25	-
Security	427.00	-	-	-	427.00	-
Rent	151,294.41	-	2,542.00	-	153,836.41	-
Property taxes	36,100.85	-	43.96	-	36,144.81	-
Equipment rental	-	-	19,710.00	16,303.00	19,710.00	16,303.00
Equipment transport	-	-	-	4,410.00	-	4,410.00
Maintenance and repairs	-	-	68,883.62	-	68,883.62	-
Storage and moorage	-	-	395,131.33	680,710.03	395,131.33	680,710.03
BC PST paid	-	-	10,745.00	-	10,745.00	-
Insurance	178,704.00	-	73,119.00	2,500.00	251,823.00	2,500.00
Utilities	17,981.70	-	21,131.00	3,898.18	39,112.70	3,898.18
Barging and trucking	1,024,415.40	-	42,203.60	34,317.92	1,066,619.00	34,317.92
General and administrative	43,901.71	759.00	29,397.16	231.41	73,298.87	990.41
Total Disbursements	31,264,125.55	1,108.00	7,246,961.53	951,404.79	38,511,087.08	952,512.79
Net Balance	\$123,252.30	\$1,119.13	\$549,937.85	\$49,488.44	\$673,190.15	\$50,607.57
Control Totals - Per Individual R & D's	\$123,252.30	\$1,119.13	\$549,937.85	\$49,488.44	\$673,190.15	\$50,607.57