

B. 190481  
No. 11-2541152  
Vancouver Registry



IN THE SUPREME COURT OF BRITISH COLUMBIA  
IN BANKRUPTCY AND INSOLVENCY

IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF  
YUKON ZINC CORPORATION

FIRST REPORT OF THE PROPOSAL TRUSTEE

ALVAREZ & MARSAL CANADA INC.

AUGUST 19, 2019



ALVAREZ & MARSAL

**IN THE SUPREME COURT OF BRITISH COLUMBIA  
IN BANKRUPTCY AND INSOLVENCY**

**IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF  
YUKON ZINC CORPORATION**

**TABLE OF CONTENTS**

1.0	INTRODUCTION AND BACKGROUND .....	- 1 -
2.0	PURPOSE OF REPORT .....	- 2 -
3.0	TERMS OF REFERENCE .....	- 2 -
4.0	OPERATIONS, REGULATORY MATTERS AND RESTRUCTURING EFFORTS .....	- 3 -
5.0	ACTIVITIES OF THE COMPANY AND THE PROPOSAL TRUSTEE .....	- 4 -
6.0	13-WEEK CASH FLOW FORECAST TO OCTOBER 25, 2019 .....	- 5 -
7.0	INTERIM LENDING FACILITY AND INTERIM LENDER'S CHARGE .....	- 6 -
8.0	ADMINISTRATION CHARGE .....	- 8 -
9.0	EXTENSION OF STAY PERIOD .....	- 8 -
10.0	PROPOSAL TRUSTEE'S RECOMMENDATION .....	- 9 -

**Appendix A** – Certificate of Filing of a Notice of Intention to Make a Proposal dated July 31, 2019

**Appendix B** – Listing of Creditors filed pursuant to section 50.4(6) of the BIA

**Appendix C** – 13 Week Cash Flow Statement Ending October 25, 2019

## 1.0 INTRODUCTION AND BACKGROUND

### YZC Filing NOI – July 31, 2019

- 1.1 On July 31, 2019, Yukon Zinc Corporation (“YZC” or the “**Company**”) filed a Notice of Intention to Make a Proposal (“**NOI**”) pursuant to subsection 50.4(1) of the *Bankruptcy and Insolvency Act, R.S.C. 1985, c. B-3*, as amended (the “**BIA**”) and Alvarez & Marsal Canada Inc. consented to act as Trustee under the Proposal (“**A&M**” or the “**Proposal Trustee**”).
- 1.2 Pursuant to section 50.4(8) of the BIA, the initial stay period under the NOI proceedings is from July 31, 2019 to August 30, 2019 (the “**Initial Stay Period**”).
- 1.3 A copy of the Certificate of Filing of a NOI issued by the Office of the Superintendent of Bankruptcy is attached hereto as Appendix “A”. Other information pertaining to these proceedings are posted on the Proposal Trustee’s website at [www.alvarezandmarsal.com/YukonZincCorporation](http://www.alvarezandmarsal.com/YukonZincCorporation).

### Notice of Application by YZC – August 15, 2019

- 1.4 On August 15, 2019 the Company filed a Notice of Application with this Honourable Court to seek among other things:
  - a) granting of a charge on the assets, property and undertakings of the Company not to exceed \$250,000 (“**Administration Charge**”) as security for the fees and costs of the Proposal Trustee, its independent legal counsel and the legal counsel to the Company, such charge to be in priority to all others security interests, liens and other encumbrances with the exception of any security interest in favour of the Yukon Government (“**YG**”) pursuant to section 14.06(7) of the BIA;
  - b) authorizing YZC to borrow up to \$3.0 million under a credit facility (“**Interim Lending Facility**”) from Century Acquisitions Inc. (“**Century**” or the “**Interim Lender**”) to fund its working capital requirements;
  - c) granting the Interim Lender a charge (“**Interim Lender’s Charge**”) that shall rank in priority to all others security interests, liens and other encumbrances with the exception of any security interest in favour of YG pursuant to section 14.06(7) of the BIA and the Administration Charge; and
  - d) extending the time for filing of a proposal pursuant to section 50.4(9) of the BIA to October 7, 2019<sup>1</sup>.

---

<sup>1</sup> The Company’s August 15, 2019 Notice of Application indicates October 5, 2019 as the stay extension date sought. As that date is a Saturday, the expiry of the stay should it be granted, would be Monday, October 7, 2019.

## 2.0 PURPOSE OF REPORT

2.1 The purpose of this first report by the Proposal Trustee (the “**First Report**”) is to provide this Honourable Court and the Company’s stakeholders with:

- a) information regarding the Company’s current operations and certain matters pertaining to the Company’s mining license and related security deposit requirements under the *Quartz Mining Act, S.Y., 2003, c.14*;
- b) the activities of the Company and the Proposal Trustee since the filing of the NOI;
- c) the Company’s updated cash flow projection for the 13-week period from July 31, 2019 to October 25, 2019;
- d) information and the Proposal Trustee’s recommendation with respect to the Company’s application for the approval of the Interim Lending Facility and proposed Interim Lender’s Charge;
- e) information and the Proposal Trustee’s recommendation with respect to the Company’s application for the approval of the proposed Administration Charge; and
- f) the Proposal Trustee’s recommendation with respect to the Company’s request for an extension of the Initial Stay Period to October 7, 2019.

## 3.0 TERMS OF REFERENCE

3.1 In preparing this report, A&M has necessarily relied upon unaudited financial and other information provided by the Company and other third parties. Although this information has been subject to review, A&M has not conducted an audit or otherwise attempted to verify the information’s accuracy or completeness. Accordingly, A&M expresses no opinion and does not provide any other form of assurance on the accuracy and/or completeness of any information contained in this First Report, or otherwise used to prepare this First Report.

3.2 Certain of the information referred to in this First Report consists of financial forecasts and/or projections prepared by the Company. An examination or review of financial forecasts and projections and procedures as outlined by the Chartered Professional Accountants of Canada has not been performed by A&M. Readers are cautioned that since financial forecasts and/or projections are based upon assumptions about future events and conditions that are not ascertainable, actual results will vary from those forecasts and/or projected and the variations could be significant.



#### 4.0 OPERATIONS, REGULATORY MATTERS AND RESTRUCTURING EFFORTS

- 4.1 YZC is a British Columbia corporation with a head office in Vancouver, British Columbia and is a wholly owned subsidiary of Jinduicheng Canada Resources Corporation Limited (“**JDC Canada**”). The Company’s principal asset is a zinc-silver-copper-lead-gold underground mine with above-ground milling facilities (hereinafter referred to as the “**Wolverine Mine**”) which is located in southeast Yukon (between the communities of Watson Lake and Ross River).
- 4.2 In January 2015, mining operations at the Wolverine Mine ceased and since that date, the mine has been shuttered under a care and maintenance program.
- 4.3 The Company has financed their operations principally through equity financing and secured loans advanced primarily by JDC Canada and its parent company, as well as a sale and leaseback transaction of all the property and equipment of the mine site financed by Welichem Research General Partnership (“**Welichem**”) in August 2018 (the “**Sale and Lease Back Transaction**”).

#### **Quartz Mining Act Security Deposits and Mine Site Remediation Costs**

- 4.4 Under the *Quartz Mining Act, S.Y. 2003, c. 14*, YG may require a quartz mining license holder, such as YZC, to furnish security where there is a risk to adverse environmental effects from the activities of the license holders (the “**Security Deposit**”). In 2013, YG revised the amount of the Security Deposit from the original amount of \$1.8 million to \$10.6 million which was furnished in full by the Company on October 2, 2015.
- 4.5 On May 3, 2018, YG further increased the amount of the required Security Deposit to \$35.5 million. To date, YZC has not been able to fund the additional amount required under the Security Deposit and as of July 17, 2019, the unfunded portion of the Security Deposit is \$26.4 million<sup>2</sup> (the “**Unfunded Security Deposit**”).
- 4.6 Since October 2, 2018, YG has performed work on the Wolverine Mine site, including measures relating to the treatment and management of underground mine water and tailings water, with costs incurred to date of approximately \$636,000, which has been funded from a portion of the \$10.6 million security deposit furnished by the Company. To date, YG has drawn approximately \$1.4 million from the \$10.6 million Security Deposit to pay for or fund ongoing and future remediation related costs at the Wolverine Mine.

---

<sup>2</sup> Amount as confirmed by YG and as stated in its Petition filed July 17, 2019 in the Supreme Court of Yukon action no. 19-A0067.

- 4.7 YG has projected an additional \$3.1 million of costs required between August 2019 to March 2020 mainly for water treatment, plant construction and monitoring activities (the “**Projected Remediation Costs**”).

#### **Proposed Share Purchase Transaction**

- 4.8 The Company has been seeking to complete a transaction for the purchase and sale of its shares or assets. On July 31, 2019, JDC Canada entered into a letter agreement with Century pursuant to which Century will acquire all of the issued and outstanding shares of YZC from JDC Canada by September 30, 2019 (the “**Proposed Share Purchase Transaction**”).
- 4.9 Contemporaneous with the Proposed Share Purchase Transaction, the Company has entered the Interim Lending Facility (refer to section 7.0 of this First Report) which is subject to Court approval and is intended to provide funding of the Company’s near-term care and maintenance activities as well as to provide for funding of the Projected Remediation Costs up to mid-October 2019.

#### **5.0 ACTIVITIES OF THE COMPANY AND THE PROPOSAL TRUSTEE**

- 5.1 Since the filing of the NOI, the Proposal Trustee and the Company’s management (“**Management**”) have engaged in the following activities:
- a) the Proposal Trustee mailed out the initial notice to all known creditors on August 2, 2019 notifying them of the NOI proceedings pursuant to section 50.4(6) of the BIA and posted same to its website including a list of creditors (attached as Appendix “**B**”);
  - b) Management, with the assistance of the Proposal Trustee, prepared a cash flow statement for the 9-week period from July 31, 2019 to September 27, 2019, which was filed with the Office of Superintendent of Bankruptcy and the Supreme Court of British Columbia on August 9, 2019 in accordance with section 50.4(2) of the BIA;
  - c) Management, with the assistance of the Proposal Trustee, prepared an extended 13-week cash flow forecast for the period July 31, 2019 to October 25, 2019 which, along with assumptions, are attached as Appendix “**C**” in support of its efforts to secure interim funding pursuant to the Interim Lending Facility;
  - d) Management and the Company’s legal counsel have worked towards securing funding for its ongoing costs during this proceeding and has finalized the terms of an interim financing facility of up to \$3.0 million on August 14, 2019 with Century;
  - e) the Proposal Trustee has been in communication with representatives of YG regarding its estimate of the Projected Remediation Costs, the cash flow statement for the period ending

September 27, 2019 as well as issues and disclosures relating to the Unfunded Security Deposit;

- f) various discussions held between the Proposal Trustee, its legal counsel and the Company's legal counsel relating to matters relevant in the NOI proceedings; and
- g) ongoing monitoring of the Company's financial affairs and activities by the Proposal Trustee.

#### **6.0 13-WEEK CASH FLOW FORECAST TO OCTOBER 25, 2019**

- 6.1 The Company, with assistance of the Proposal Trustee, has prepared a 13-week cash flow for the period ending October 25, 2019 (the "**Cash Flow Period**") based on the terms of the Interim Lending Facility (details of which are referenced in section 7.0 of this First Report), which, along with assumptions, are attached as Appendix C (the "**13-Week Cash Flow**").
- 6.2 A summary of the 13-Week Cash Flow and select assumptions underlying same are as follows:
  - a) the Company received \$200,000 from JDC Canada on July 31, 2019 to fund operating expenses and its care and maintenance activities;
  - b) the Company expects to receive up to \$3,000,000 during the Cash Flow Period pursuant to the Interim Lending Facility to fund ongoing operational expenses and the Projected Remediation Costs; and
  - c) during the Cash Flow Period, the Company is forecast to experience aggregate cash disbursements of \$3.4 million, consisting of:
    - (i) operating costs of \$1.0 million including mine care, maintenance and site costs, salaries and wages, professional fees, and other overhead costs; and
    - (ii) Projected Remediation Costs of \$2.4 million up to the end of October 2019 as estimated by YG mainly for water treatment, plant construction and ongoing monitoring activities. The balance of Projected Remediation Costs estimated by YG of approximately \$700,000 are expected to be incurred during the period November 2019 through March 2020.
- 6.3 Based on the assumption that the maximum \$3.0 million is advanced under the Interim Lending Facility, it is currently estimated that the funds would be sufficient to allow the Company to operate up until the extended stay period sought and into the week of October 14, 2019.



## 7.0 INTERIM LENDING FACILITY AND INTERIM LENDER'S CHARGE

7.1 On August 14, 2019, Century and the Company entered into an agreement in respect of the Interim Lending Facility, which has been executed by Century and is to be executed by the Company should this Honourable Court approve the financing and charges sought. A summary of select terms and conditions of the Interim Lending Facility include the following:

- a) non-revolving credit facility of up to \$3.0 million with each advance limited to multiples of \$250,000. Advances are not to exceed more than once a week in frequency;
- b) advances are secured by way of a super-priority charge and claim over all of the present and after-acquired real and personal property, assets and undertaking of the Company (the "Collateral") subject to an order granted by the Court. The Interim Lender's Charge shall rank in priority against all other security interests and charges other than a Court-ordered Administration Charge (as discussed in section 8.0 of this First Report), any purchase money security interests and those priority claims contemplated by YG pursuant to section 14.06(7) of the BIA or equivalent;
- c) interest to accrue at a rate of 18% per annum;
- d) the principal amount, accrued and unpaid interest, and fees and expenses incurred by Century, are payable on demand and if not demanded, the earlier of:
  - (i) the date that is 6 months after the initial draw date;
  - (ii) the date of the termination of stay of proceedings;
  - (iii) the date on which the Company enters into bankruptcy or a receiver is appointed over the Company's assets, undertakings or properties without written consent of Century; or
  - (iv) the date on which Century demands repayment after an occurrence of a default.
- e) preparation of a rolling 13-week cash flow budget by the Company with the assistance of A&M and as approved by Century; and
- f) all proceeds arising from any disposition of assets or other transaction including any refinancing or sale and lease back agreement and insurance proceeds in respect of any of the Collateral must be immediately paid against the Interim Lending Facility. These amounts repaid will not be re-advanced.

7.2 The 13-Week Cash Flow indicates that with access to the Interim Lending Facility, YZC will be able to fund operations and pay the Projected Remediation Costs through to the week of October 14, 2019; however, without the Interim Lending Facility, the Company will not have sufficient funds to operate beyond the week of August 23, 2019.



7.3 Pursuant to section 50.6(5) of the BIA, the Proposal Trustee reviewed the Interim Lending Facility and Interim Lender's Charge and has considered the following factors:

- a) the period during which the Company is expected to be subject to the proceedings under the BIA;
- b) how the Company's business and financial affairs are to be managed during the proceedings;
- c) whether Management has the confidence of its major creditors impacted under these proceedings;
- d) whether the Interim Lending Facility would enhance the prospects of a viable proposal being made in respect of YZC;
- e) the nature and value of the Company's property; and
- f) whether any creditor would be materially prejudiced as a result of the security or charge.

7.4 In consideration of the foregoing factors, the Proposal Trustee offers the following select comments:

- a) the Company currently has limited cash resources that will see it into the week of August 19, 2019 but it is not certain that additional funding will be available to the Company should the Interim Lending Facility not be approved by this Honourable Court;
- b) the Company is carefully managing cash on a day to day basis with oversight by the Proposal Trustee. Certain Company executives and staff have made voluntary concessions including deferring their salaries and certain expenses to allow for continuity of operations at the Wolverine Mine site;
- c) given that the Company and Interim Lender have not sought to subordinate YG's right to any security that may be available to it under section 14.06(7) of the BIA, any financial prejudice to YG as a result of the Interim Lender's Charge appears to have been mitigated; and
- d) the Company has a significant financial investment (recorded net book value in excess of approximately \$140 million including all mine property and equipment prior to the Sale and Lease Back Transaction with Welichem) in the Wolverine Mine and has made progress obtaining a commitment for financing that would further the objectives of immediately funding the Projected Remediation Costs at the Wolverine Mine as well as advancing a possible proposal to creditors which includes the Proposed Share Purchase Transaction.

## **8.0 ADMINISTRATION CHARGE**

- 8.1 The Company is seeking an Administration Charge over its property up to a maximum of \$250,000 to secure payment of the fees and disbursements of the Proposal Trustee, counsel for the Proposal Trustee, Borden Ladner Gervais LLP, and counsel for YZC, Fasken Martineau DuMoulin LLP.
- 8.2 The Administration Charge shall rank in priority to all other security interests and charges except for any security interest in favor of the YG that may arise pursuant to section 14.06(7) of the BIA.
- 8.3 Given the tight liquidity constraints that the Company has been operating under, there is a heightened risk to the timely funding of the professional fees relating to these proceedings even if funds are ultimately available under the Interim Lending Facility which is subject to approval by this Honourable Court. These proceedings require the necessary involvement of professionals to guide and/or complete a successful proposal and as such, it is the Proposal Trustee's respectful view that the Administration Charge is reasonable and appropriate to ensure the continued support of the respective professionals in the Company's efforts to restructure its affairs by way of the of the Proposed Share Purchase Transaction and/or other possible restructuring options.

## **9.0 EXTENSION OF STAY PERIOD**

- 9.1 The Initial Stay Period is set to expire on August 30, 2019 and YZC is seeking an extension of the stay of proceedings to October 7, 2019 pursuant to section 50.4(9) of the BIA (the "**Extension**") to provide the Company with the time required to facilitate the completion of the Proposed Share Purchase Transaction and to formulate a proposal to its creditors.
- 9.2 The Proposal Trustee considered the following factors regarding the Extension:
- a) the Company is acting in good faith and with due diligence;
  - b) the Company would likely be able to make a viable proposal if the Extension were to be granted; and
  - c) no creditor in these proceedings is materially prejudiced if the Extension were to be granted.
- 9.3 It is the Proposal Trustee's view that to date, Management has been acting in good faith and with due diligence in this matter. Management has been made aware of its obligations under the relevant sections of the BIA and the implications of non-compliance.
- 9.4 Should YZC source sufficient funding (which is subject to this Honourable Court's approval) to ensure that it meets all of its obligations as they come due through to October 7, 2019 including

the Projected Remediation Costs, the Proposal Trustee is of the view that the Extension is appropriate and necessary to advance a successful restructuring and that no stakeholder or creditor should be materially prejudiced if the Extension was granted so long as remedial work at the Wolverine Mine site continues.

- 9.5 The Company's ability to make a viable proposal is largely dependent on its ability to secure interim financing, address near term remediation expenditures at the Wolverine Mine site and complete the Proposed Share Purchase Transaction. While certainty of all these events cannot be assured, it is the Proposal Trustee's view that the Company and its legal counsel have made significant progress in this regard.

#### **10.0 PROPOSAL TRUSTEE'S RECOMMENDATION**

- 10.1 Based on the current information made available by Management, the Proposal Trustee has the following comments in respect to YZC's application for approval of the Interim Lending Facility, Interim Lender's Charge, Administration Charge and the Extension:

- a) the Company requires immediate financing at this time to fund ongoing payments for, among other things, the basic care and maintenance of the mine site, other operating costs and importantly, the Projected Remediation Costs;
- b) the terms of the Interim Lending Facility, including interest rates and fees are, in the Proposal Trustee's experience, reflective of the market terms for interim financings in the current context and are commercially reasonable in the circumstances;
- c) given, among other things, the likely alternatives to the Company being able to borrow under the Interim Lending Facility, the Interim Lending Facility will enhance the prospects of a viable proposal being made in respect of the Company;
- d) the involvement of professionals is necessary to ensure the continued support and guidance of the Company's Management in their pursuit of a successful restructuring transaction;
- e) neither the Interim Lender's Charge nor the Administration Charge will rank in priority against any security interest in favor of the YG that may arise pursuant to section 14.06(7) of the BIA; and
- f) the Extension will provide the Company with the time required to facilitate the completion of the Proposed Share Purchase Transaction and/or to formulate a proposal to its creditors.



10.2 For the reasons outlined above, the Proposal Trustee respectfully recommends that this Honourable Court grant an order approving the following:

- a) the Interim Lending Facility;
- b) the Interim Lender's Charge;
- c) the Administration Charge; and
- d) the extension of the stay of proceedings until October 7, 2019.

\*\*\*\*\*

All of which is respectfully submitted to this Honourable Court this 19<sup>th</sup> day of August 2019.

**Alvarez & Marsal Canada Inc.,**  
in its capacity as Proposal Trustee of  
Yukon Zinc Corporation and not in its personal capacity



Per: Todd Martin  
Senior Vice President

## APPENDIX A



Industry Canada  
Office of the Superintendent  
of Bankruptcy Canada

Industrie Canada  
Bureau du surintendant  
des faillites Canada

District of British Columbia  
Division No. 03 - Vancouver  
Court No. 11-2541152  
Estate No. 11-2541152

In the Matter of the Notice of Intention to make a  
proposal of:

**Yukon Zinc Corporation**  
Insolvent Person

**ALVAREZ & MARSAL CANADA INC.**  
Licensed Insolvency Trustee

---

Date of the Notice of Intention: July 31, 2019

---

CERTIFICATE OF FILING OF A NOTICE OF INTENTION TO MAKE A PROPOSAL  
Subsection 50.4 (1)

I, the undersigned, Official Receiver in and for this bankruptcy district, do hereby certify that the aforementioned insolvent person filed a Notice of Intention to Make a Proposal under subsection 50.4 (1) of the *Bankruptcy and Insolvency Act*.

Pursuant to subsection 69(1) of the Act, all proceedings against the aforementioned insolvent person are stayed as of the date of filing of the Notice of Intention.

Date: July 31, 2019, 18:50

E-File/Dépôt Electronique

Official Receiver

300 Georgia Street W, Suite 2000, Vancouver, British Columbia, Canada, V6B6E1, (877)376-9902

**Canada**



## APPENDIX B

*Preliminary List of Creditors of Yukon Zinc Corporation as at July 31, 2019, as submitted by the Debtor without Admission as to any Liabilities or Privilege Herein Shown*

Creditor	Address	City	Province	Postal Code	Country	Amount Outstanding (\$)
Secured Creditors						
1 Welichem	1655-999 W. Hasting st	Vancouver	BC	V6C 1M3	Canada	\$ 11,400,000.00
2 Phoenix Global Investment Inc.	5811 Cooney Road	Richmond	BC	V6X 3M1	Canada	2,315,000.00
3 Jinduicheng Canada Resources Corporation Limited	1030 W Georgla St, Unit 705	vancouver	BC	V6E 2Y3	Canada	250,000.00
4 Jing You Lu	2108 – 3080 Lincoln Ave	Coquitlam	BC	V3B 0L9	Canada	427,130.50
5 Ai Hua Dang	2807 – 833 Seymour St	Vancouver	BC	V6B 0G4	Canada	179,392.28
6 XiaoYun Yuan	1420 Queens Ave	West Vancouver	BC	V7T 2H9	Canada	13,700.65
7 Yu Luo	1420 Queens Ave	West Vancouver	BC	V7T 2H9	Canada	27,867.68
Total Secured Creditors						14,613,091.11
Unsecured Creditors						
8 Ai Hua Dang	2807-833 Seymour St	Vancouver	BC	V6B 0G4	Canada	5,239.52
9 Associated Engineering (B.C.) Ltd.	#500 - 2889 East 12th Avenue	Vancouver	BC	V5M 4T5	Canada	10,342.51
10 Barbara J Womersley Consulting	5218 Price Edward Street	Vancouver	BC	V5W 2X5	Canada	1,346.63
11 Bell Mobility Inc.	P.O. Box 5102	Burlington	ON	L7R 4R7	Canada	1,752.15
12 BQE Water Inc	Suite 250- 900 Howe Street	Vancouver	BC	V6Z 2M4	Canada	279,720.00
13 CanStore Rentals Ltd.	11660 Mitchell Road	Richmond	BC	V6V 1T7	Canada	4,016.25
14 Cassels Brock & Blackwell LLP	40 King Street West, Suite 2100, Scotia Plaza	Toronto	ON	M5H 3C2	Canada	24,248.12
15 Core Geoscience Services Inc.	11 Dolly Varden Drive	Whitehorse	YT	Y1A 6A1	Canada	1,063.16
16 CWA Engineers Inc.	Suite 380 - 2925 Virtual Way	Vancouver	BC	V5M 4X5	Canada	11,170.43
17 Dena Cho Environmental and Remediation	260-108 Elliot St.	Whitehorse	YT	Y1A 6C4	Canada	30,609.15
18 DRA Americas Inc. (Canada)	44 Victoria street . Suite 300	Toronto	ON	M5C 1Y2	Canada	145,716.33
19 Dynamic Systems	125 Copper Road	Whitehorse	YT	Y1A 2Z7	Canada	7,395.71
20 Employees	Multiple	n/a	n/a	n/a	n/a	207,338.87
21 Future Mine Consulting Limited	70 Elementary Road	Anmore	BC	V3H 4Y6	Canada	103,609.88
22 Golder Associates Ltd.	6925 Century Avenue, Suite 100	Mississauga	ON	L5N 7K2	Canada	1,111.11
23 Hemmera Envirochem Inc.	4730 Kingsway, 18th Floor	Burnaby	BC	V5H 0C6	Canada	13,241.92
24 Holms Mechanical	50 Macdonald Rd.	Whitehorse	YT	Y1A 4L2	Canada	12,368.96
25 Infosat Communications	3130 - 114 Ave SE	Calgary	AB	T2Z 3V6	Canada	361.04
26 Jacobs Industries Ltd.	4269 - 4th Avenue	Whitehorse	YT	Y1A 1K5	Canada	1,285.20
27 Kal Tire	9038 Quartz Road	Whitehorse	YT	Y1A 5L8	Canada	283.12
28 Laser Valley Technologies Corp.	#1 9761 - 192nd Street	Surrey	BC	V4N 4C7	Canada	278.13
29 Li, Yu Ze	8780 Gay Rd.	Richmond	BC	V6Y 2H7	Canada	1,475.00
30 Mao & Ying LLP	1488 - 1188 West Georgia Street	Vancouver	BC	V6E 4A2	Canada	2,362.50
31 Maxxam Analytics Inc.	PO Box 9549, Station M	Calgary	AB	T2P 5L8	Canada	748.44
32 McCue Environmental Contracting Inc.	3365 West 6th Avenue	Vancouver	BC	V6R 1T2	Canada	10,500.00
33 Met-Solve Laboratories	1018 - 201 Street	Langley	BC	V1M 4A3	Canada	5,133.19
34 Momentum Conferencing	2800 Skyrmak Ave, Suite 501	Mississauga	ON	L4W 5A6	Canada	8.24
35 Norcope Enterprises Ltd.	66 River Ridge Lane	Whitehorse	YT	Y1A 6J9	Canada	1,470.92
36 Northern Enviro Services	PO Box 867	Watson Lake	YT	Y0A 1C0	Canada	184,852.82
37 Northern Minerals Investment Corp.	705-1030 West Georgia Street	Vancouver	BC	V6E 2Y3	Canada	18,802.44
38 PricewaterhouseCoopers LLP	PO Box 82, Royal Trust Tower Suite 3000, Toronto Dor	Toronto	ON	M5K 1G8	Canada	132,300.00
39 Riverdale Super A	29 Lewes Boulevard	Whitehorse	YT	Y1A 4S5	Canada	6,444.80
40 Roscoe Postle Associates Inc.	Suite 501- 55 University Avenue	Toronto	ON	M5J 2H7	Canada	80,924.32
41 Sacré-Davey Engineering	315 Mountain Highway	North Vancouver	BC	V7J 2K7	Canada	23,468.62
42 Sandpiper Biological Consulting Ltd.	5185 Beckton Road	Victoria	BC	V8Y 2C2	Canada	9,967.45
43 Sandy Wang Law Corporation	410-938 Howe Street	Vancouver	BC	V6Z 1N9	Canada	9,614.40
44 Shaw Cable	PO Box 2468 Stn Main	Calgary	AB	T2P 4Y2	Canada	2,478.90
45 Shaw Direct	PO Box 2530 STN M	Calgary	AB	T2P 0C2	Canada	1,710.55
46 Small's Expediting Services	Suite 2, 25 Pilgrim Place	Whitehorse	YT	Y1A 6E6	Canada	887.37
47 SRK Consulting (Canada) Inc.	Suite 2200- 1066 West Hasting Street	Vancouver	BC	V6E 3K2	Canada	38,012.81
48 Terminal City Club	837 West Hastings Street	Vancouver	BC	V6C 1B6	Canada	2,741.21
49 Tetra Tech Canada Inc.	14940-123 Avenue	Edmonton	AB	T5V 1B4	Canada	12,670.86
50 Uniglobe Specialty Travel Ltd.	#820, 1111 Melville Street	Vancouver	BC	V6E 3V6	Canada	5,386.01
51 Wu, Bo	1303 Campion Lane	Port Moody	BC	V3H 4A8	Canada	6,900.00
52 XiaoYun Yuan	1420 Queens Ave	West Vancouver	BC	V7T 2H9	Canada	6,217.14
53 Xue, Li	501-1750 Esquimalt Ave.	West Vancouver	BC	V7V 1R8	Canada	5,850.00
54 Yukon Government - Property Tax	Box 2703	Whitehorse	YT	Y1A 2C6	Canada	311,247.36
55 Yukon Workers' Compensation	Health & Safety Board, 401 Strickland Street	Whitehorse	YT	Y1A 5N8	Canada	5,003.12
Total Unsecured Creditors						1,749,676.66
Total Creditors						\$ 16,362,767.77

## APPENDIX C



Yukon Zinc Corporation  
Cash Flow Statement  
For the 13 week ending October 25, 2019  
(C\$000s)

Week	Week 1	Week 2	Week 3	Week 4	Week 5	Week 6	Week 7	Week 8	Week 9	Week 10	Week 11	Week 12	Week 13	Total
Week Ending	2-Aug	9-Aug	16-Aug	23-Aug	30-Aug	6-Sep	13-Sep	20-Sep	27-Sep	4-Oct	11-Oct	18-Oct	25-Oct	
Notes														
Operating Disbursements														
Mine care, maintenance and site costs	(1) \$ 11	\$ 27	\$ 28	\$ 10	\$ 28	\$ 123	28	11	65	54	5	34	65	\$ 489
Head office salaries and benefits	(2) -	29	34	-	34	-	34	-	-	34	-	34	-	199
General & administrative costs	(3) -	-	-	10	-	5	5	-	-	5	-	-	5	30
Restructuring professional fees	(4) 15	-	25	25	-	25	-	25	-	-	25	-	25	165
Insurance	(5) -	22	-	-	-	-	-	-	25	-	-	-	-	47
Contingency	(6) -	-	-	-	25	-	-	-	-	-	-	-	25	75
Regulatory initiatives: water treatment and monitoring														
Dena Cho Environmental	-	-	-	-	130	-	-	-	-	-	-	-	-	130
EDI	-	-	-	-	60	-	-	10	-	-	-	10	-	80
Minnow Environmental	-	-	-	-	20	-	-	-	-	-	-	5	-	30
Alexco Environmental Group	-	-	-	-	383	-	-	945	-	-	-	745	-	2,073
Jacobs Engineering	-	-	-	-	-	-	-	-	-	-	-	-	-	75
Total regulatory initiatives: water treatment and monitoring	(7) -	-	-	-	618	-	-	985	-	-	-	785	-	2,388
Total Operating Disbursements	26	78	87	45	705	153	67	1,021	115	93	30	853	120	3,393
Net Cash Flow From Operations	(26)	(78)	(87)	(45)	(705)	(153)	(67)	(1,021)	(115)	(93)	(30)	(853)	(120)	(3,393)
Other Receipts and Disbursements														
Financing received from parent company	(8) 200	-	-	-	-	-	-	-	-	-	-	-	-	200
Interim financing advances / (repayments)	(9) -	-	-	1,000	-	-	1,000	-	1,000	-	-	-	-	3,000
Total Other Receipts and Disbursements	200	-	-	1,000	-	-	1,000	-	1,000	-	-	-	-	3,200
Net Cash Flow	174	(78)	(87)	955	(705)	(153)	933	(1,021)	885	(93)	(30)	(853)	(120)	(193)
Cash Position														
Opening Cash Position	2	176	98	11	966	261	108	1,041	20	905	812	782	(71)	2
Closing Cash Position	\$ 176	\$ 98	\$ 11	\$ 966	\$ 261	\$ 108	\$ 1,041	\$ 20	\$ 905	\$ 812	\$ 782	\$ (71)	\$ (191)	\$ (191)

UNAUDITED CASH FLOW FORECAST PREPARED BY MANAGEMENT, MUST BE READ IN CONJUNCTION WITH THE NOTES AND ASSUMPTIONS & TRUSTEE'S REPORT ON THE CASH FLOW STATEMENT

2019-08-19  
Date

Aihua Dang, COO

Alvarez & Marsal Canada Inc.  
in its capacity as Proposal Trustee of Yukon Zinc Corporation

August 19, 2019  
Date

Per: Todd M. Martin, Senior Vice President

Yukon Zinc Corporation  
Assumptions for Cash Flow Statement  
For the 13 week ending October 25, 2019

- (1) Mine care, maintenance and site costs include weekly payments of \$5,000 to site contractors and biweekly payments to 3 site employees of \$23,000. In addition, these costs include biweekly flight costs of \$3,000 and food supplies of \$3,000 and monthly payments for parts and other site supplies of \$20,000. In Week 1, there is a catch-up payment of approximately \$10,000.
- (2) Head office salaries consist of \$34,000 paid on a biweekly basis, including source deductions and RRSP contributions by the employee/employer. In Week 2, there is a catch-up payment of RRSP contributions of \$29,000 for the period April 1 to July 31, 2019. Certain head office employees receive rent reimbursements for their accommodation, which total to \$7,500 per month. These amounts have not been included in the cash flow forecast.
- (3) General and administrative costs are based on historical run rates and includes monthly rent of \$5,000 for the head office.
- (4) Restructuring professional fees includes retainers and fees paid to the Proposal Trustee and the Company's legal counsel.
- (5) Payment of insurance premiums of \$22,000 is for the renewal of commercial general liability insurance from April 1 to September 30, 2019, with an additional 6 month renewal of \$25,000 due at the end of September.
- (6) A contingency of \$25,000 per month has been included to provide for any unforeseen site costs or administrative expenses.
- (7) The Government of Yukon ("YG") has initiated certain required site initiatives including upgrades to water management systems and related monitoring at the Wolverine Mine. YG has estimated the costs to total \$3.1 million for the period between August 2019 to March 2020, mainly for water treatment, plant construction and monitoring activities.
- (8) The Company received \$200,000 on August 1, 2019 from its parent company, Jindicheng Canada Resources Corporation Limited, under a demand promissory note of \$500,000 with interest of 17.5% per annum. The remaining \$300,000 was received prior to July 31, 2019, the date of the filing of the Notice of Intention to Make a Proposal.
- (9) In accordance with an executed Interim Credit Facility Agreement between Century Acquisitions Inc. ("Century") and the Company dated August 14, 2019 for interim financing of up to \$3,000,000 with super priority charge and claim over all of the present and after-acquired real and personal property, assets and undertaking of the Company. The interest rate is 18% per annum and the principal and interest are payable on demand or earlier of 6 months after the initial draw date, date on which the stay is terminated, the date on which the Company enters into bankruptcy, or the date on which Century demands repayment after the occurrence of an event of default. The Interim Credit Facility Agreement is subject to Court approval which has not yet been granted. The assumption inherent herein is that Court approval will be granted by August 23, 2019.