



No. B-190481
Province of British Columbia
Bankruptcy Division
Vancouver Registry
Estate No. 11-2541152

**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

NOTICE OF APPLICATION

Names of applicant: Yukon Zinc Corporation. ("**Yukon Zinc**" or the "**Applicant**")

To: The Service List, a copy of which is attached hereto as Schedule "A"

TAKE NOTICE that an application will be made by the Applicant to the presiding judge at the courthouse at 800 Smithe Street, Vancouver, British Columbia on August 21, 2019 at 9:45 a.m. for the order set out in Part 1 below.

Part 1 ORDER SOUGHT

1. Yukon Zinc seeks an order in substantially the form of draft order attached hereto as Schedule "B":
 - (a) granting a charge on the assets, property and undertakings of Yukon Zinc (the "**Property**") that shall not exceed the aggregate amount of \$250,000 (the "**Administration Charge**"), as security for the collective fees and disbursements of: (a) Alvarez & Marsal Canada Inc. (the "**Proposal Trustee**"); (b) counsel for the Proposal Trustee; and (c) counsel for Yukon Zinc, that shall rank in priority to all other security interests, trusts, liens, charges, encumbrances and other claims of secured creditors, statutory or otherwise (collectively, "**Encumbrances**"), in favour of any person, save and except any security interest in favour of the Yukon Government (the "**YG Security**") pursuant to Section 14.06(7) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the "**BIA**");

- (b) authorizing Yukon Zinc to borrow funds under a credit facility up to \$3 million (the “**Interim Lending Facility**”) from Century Acquisitions Inc. (in such capacity, the “**Interim Lender**”) in order to fund Yukon Zinc’s working capital requirements;
 - (c) granting the Interim Lender a charge (the “**Interim Lender’s Charge**”) on the Property that shall rank in priority to all Encumbrances in favour of any person, save and except: (i) the YG Security; and (ii) the Administration Charge; and
 - (d) extending the time for filing a proposal pursuant to Section 50.4(9) of the BIA to October 5, 2019.
2. Yukon Zinc seeks an order in substantially the form of draft order attached hereto as Schedule “C” (the “**Sealing Order**”) ordering that the Affidavit #2 of Aihua Dang, made August 14, 2019, including all exhibits thereto (the “**Confidential Dang Affidavit**”), be filed under seal pending further order of the Court.

Part 2 FACTUAL BASIS

A. The Applicant

- 1. Yukon Zinc is a person to which the BIA applies. Yukon Zinc is insolvent and meets the statutory requirements to be eligible for relief pursuant to the BIA.
- 2. Yukon Zinc is a British Columbia corporation with a head office in Vancouver, British Columbia. The company’s principal asset is the Wolverine Mine, which is located in the south-eastern region of the Yukon Territory, and is a large, high grade zinc-silver-copper-lead-gold underground mine that also has above-ground milling facilities.
- 3. Yukon Zinc holds approximately 3,000 mineral claims, duly located and recorded under the *Quartz Mining Act*, S.Y. 2003, c. 14 (the “**QMA**”), and also a quartz mining lease that covers the claims in the area where the Wolverine Mine is located.
- 4. Yukon Zinc holds a quartz mining licence issued by the Ministry of Energy, Mines and Resources under the QMA having license number QML-006 (the “**Quartz License**”),

and a Type A Water License having license number QZ04-065 (the “**Water License**”) issued by the Yukon Water Board under the *Waters Act*, S.Y. 2003, c. 19 (the “*Water’s Act*”).

5. In or about January 2015, mining operations at the Wolverine Mine ceased, and since then the site has been under a care and maintenance program.
6. In early 2015, Yukon Zinc was in straitened financial circumstances necessitating it to seek protection from its creditors under the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36 (the “**CCAA**”). The company completed a successful restructuring of its debt obligations through its CCAA proceedings and emerged from CCAA protection in October 2015.
7. Since the conclusion of its restructuring under the CCAA, Yukon Zinc has continued the care and maintenance program at the Wolverine Mine and has been seeking to complete a transaction for the purchase and sale of its shares or assets. On two occasions, agreements were executed for the sale of Yukon Zinc’s shares, in connection with which the purchasers invested significant funds that were used to fund operations.
8. Apart from funding by potential purchasers, operations at the Wolverine Mine have been funded by Yukon Zinc’s parent company, Jinduicheng Canada Resources Corporation Limited (“**JDC Canada**”), which is in turn funded by its parent corporation, which is located in and incorporated under the laws of China. Due to restrictions on the transfer of funds outside of China, at times, obtaining funding in a timely manner has been difficult for Yukon Zinc.

B. The Quartz License Security and YG’s Receivership Application

The Quartz License Security

9. Under the QMA, YG can require a quartz mining license holder to furnish security where there is a risk of adverse environmental effects from the activities of the license holder. Accordingly, the Quartz License includes a condition requiring Yukon Zinc to furnish

security for future environmental remediation and reclamation liabilities, which amounts may be revised from time to time (the “**Quartz License Security**”).

10. In 2013, YG revised the amount of the Quartz License Security from the original amount of \$1,780,000 to \$10,588,966.
11. On or about October 2, 2015, at the conclusion of its CCAA proceedings, Yukon Zinc furnished the full amount of the Quartz License Security required at that time, being \$10,588,966 (the “**Posted Security**”).
12. On May 3, 2018, YG increased the amount of the Quartz License Security from \$10,588,966 to \$35,548,000 (the “**Revised Quartz License Security**”). To date, Yukon Zinc has not been able to fund the additional amount of the Revised Quartz License Security.
13. By letters dated October 5, 2018, November 13, 2018, and January 15, 2019, YG requested that certain portions of the Posted Security, in the form of letters of credit issued by the Bank of Montreal (“**BMO**”), be remitted to YG. To date, BMO has remitted \$1,442,000 of the Posted Security to YG (the “**Seized Security**”).
14. By “determinations” dated October 2, 2018 issued under Section 147(1) of the QMA and Section 37(1) of the *Water’s Act*, Mr. Sevn Bohnet, a Natural Resources Officer with YG, Department of Energy, Mines and Resources (“**DEMR**”), stated that inspectors designated under the QMA may enter the Wolverine Mine site and:

“take any reasonable measures necessary to prevent, counteract, mitigate or remedy any resulting adverse effects on persons, property or the environment...”
15. Since October 2, 2018, using the Seized Security, the Assessment and Abandoned Mines Branch of the DEMR has performed work on the Wolverine Mine site, including measures relating to the treatment and management of underground mine water and tailings water (“**Remediation Work**”).

16. As of July 15, 2019, YG has alleged that it has incurred costs amounting to \$635,758.14 in relation to Remediation Work, leaving a balance of approximately \$806,000 of the Seized Security.
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YG's Receivership Proceedings

17. On July 3, 2019, YG delivered to Yukon Zinc a demand letter and a Notice of Intention to Enforce Security under Section 244(1) of the BIA (the "**Notice**"). In the Notice, YG purports to be a secured creditor of Yukon Zinc by virtue of a "super-priority" charge over the Wolverine Mine arising pursuant to Section 14.06(7) of the BIA.
18. On July 17, 2019, YG filed a Petition in the Supreme Court of Yukon initiating proceedings (the "**Receivership Proceedings**") seeking to appoint a receiver to take control and possession of Yukon Zinc's assets and property.
19. On July 30, 2019, Yukon Zinc filed a Response in the Supreme Court of Yukon opposing the relief sought by YG in its Petition.
20. On July 31, 2019, Yukon Zinc filed a Notice of Intention to Make a Proposal ("**NOI**") pursuant to Section 50.4(1) of the BIA. On August 1, 2019, a Requisition was filed in the Supreme Court of British Columbia to open a file in respect of the NOI, thereby initiating these proceedings (the "**Proposal Proceedings**").
21. Also on August 1, 2019, Yukon Zinc filed an Outline in the Receivership Proceedings, which, among other things, raised a preliminary objection to YG's Petition being heard in the Receivership Proceedings on the basis that YG was subject to the automatic stay of proceedings arising under Section 69(1) of the BIA (the "**Stay**") upon the filing of the NOI.
22. On August 7, 2019, the Honourable Madam Justice Duncan of the Supreme Court of Yukon ordered that the Stay be lifted to permit YG to proceed with the hearing of its Petition in the Receivership Proceedings (the "**Duncan Decision**").
23. On August 9, 2019, Yukon Zinc filed a Notice of Application for Leave to Appeal the Duncan Decision. Yukon Zinc intends to file a Notice of Application in the court of

Appeal seeking an expedited hearing of its leave application and a stay of the Duncan Decision pending the hearing. Yukon Zinc's intends to set that application down for hearing on August 23, 2019.

C. These Proposal Proceedings

The Proposed Share Purchase Transaction

24. JDC Canada has entered into a letter agreement with Century Acquisitions Inc. ("**Century**") dated July 31, 2019 (the "**Letter Agreement**") pursuant to which Century will acquire all of the issued and outstanding shares of Yukon Zinc from JDC Canada (the "**Proposed Share Purchase Transaction**") by no later than September 30, 2019. A copy of the Letter Agreement is appended as Exhibit "A" to the Confidential Dang Affidavit.
25. The closing of the Proposed Share Purchase Transaction is conditional upon Century completing one or more equity financings pursuant to which Century is to raise funds to enable Yukon Zinc to continue operating. Century has also committed to putting the Wolverine Mine back into production by the end of 2020.

The Cash Flow Forecast and Interim Lending Facility

26. On August 9, 2019, the Proposal Trustee filed a Report on Cash-Flow Forecast containing a 9-week cash-flow statement in respect of Yukon Zinc (the "**Base Cash Flow Forecast**") covering the period from July 31 through September 27, 2019 (the "**Initial Period**"). The Base Cash Flow Forecast is appended as Exhibit "I" to the first Affidavit of Mr. Dang made in these proceedings on August 14, 2019 (the "**First Dang Affidavit**").
27. The Base Cash Flow Forecast effectively reflects the costs for Yukon Zinc to maintain the status quo, being the payment of expenses relating to the care and maintenance program for the Wolverine Mine that Yukon Zinc was funding prior to the initiation of the Proposal Proceedings.
28. Funding during the Initial Period was contemplated to come from two sources:

- (a) \$200,000 in funding from JDC, which was received on the evening of July 31, 2019, in order to fund operational expenses (the “**JDC Cash Infusion**”);
 - (b) an Interim Credit Facility Agreement dated July 31, 2019 between Yukon Zinc and Century, pursuant to which Century agreed to advance up to \$500,000 to Yukon Zinc under a credit facility in order to fund ongoing operational expenses during these Proposal Proceedings.
- 29. By letters dated August 2 and 6, 2019 (the “**YG Letters**”), YG wrote to the Proposal Trustee “to ensure that the full suite of financial obligations of Yukon Zinc Corporation respecting the Wolverine Mine...are reflected in the materials” being prepared while the Stay is in effect. The YG Letters detailed a schedule of costs YG expects to incur in relation to Remediation Work from August 2019 through March 31, 2020 (the “**Projected Remediation Costs**”).
- 30. On August 14, 2019, Yukon Zinc, with the assistance of the Proposal Trustee, prepared a revised, 13-week cash flow forecast (the “**Capex Cash Flow**”) covering the period July 31 through October 25, 2019 that included the Projected Remediation Costs. The Capex Cash Flow is appended as Exhibit “K” to the First Dang Affidavit.
- 31. In order to address the YG’s concerns as reflected in the YG Letters, including to make provision for the funding of the Projected Remediation Costs, on August 14, 2019, Yukon Zinc and Century executed a new Interim Credit Facility Agreement (the “**Interim Credit Facility Agreement**”), pursuant to which Century has agreed to advance up to \$3 million to Yukon Zinc under a credit facility (the “**Interim Lending Facility**”) in order to fund the expenses of Yukon Zinc during the Proposal Proceedings. The Interim Lending Facility Agreement is appended as Exhibit “L” to the First Dang Affidavit.
- 32. It is a condition precedent to the Interim Credit Facility Agreement that Century be granted a Court-ordered charge (the “**Interim Lender’s Charge**”) on all the assets, rights, undertakings and property of Yukon Zinc (the “**Property**”) as security for Yukon

Zinc's obligations under the agreement. The Interim Lender's Charge is to rank in priority after the YG Security and the proposed Administration Charge.

33. Century has advised Yukon Zinc that it will not advance the funds under the Interim Credit Facility Agreement unless the Court grants the Interim Lender's Charge.
34. The Capex Cash Flow indicates that, with access to the Interim Lending Facility, Yukon Zinc will be able to fund operations and pay the Projected Remediation Costs through at least the week ending October 18, 2019. If the Interim Lending Facility Agreement is not approved, it is expected that Yukon Zinc will have insufficient funds to operate after the week of August 23, 2019.
35. Yukon Zinc and the Proposal Trustee are both supportive of the Interim Lending Facility Agreement and the granting of the Interim Lender's Charge.

The Administration Charge

36. Yukon Zinc is seeking the Administration Charge over the 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, and counsel for Yukon Zinc.
37. The Administration Charge sought is to rank in priority to all other security interests, trusts, liens, charges, encumbrances and other claims of secured creditors, statutory or otherwise, including all other court-ordered charges, save and except for the YG Security.
38. Yukon Zinc has worked with the Proposal Trustee and the other professionals to determine the appropriate amount of the Administration Charge. It is reflective of the limited funds currently available to Yukon Zinc and the fact that if the Proposal Proceedings are unsuccessful, the Proposal Trustee will have a significant amount of work to do, including in transitioning the proceedings to a bankruptcy.

Sealing Order

39. Yukon Zinc requires the Sealing Order authorizing it to file the Confidential Dang Affidavit under seal. The Confidential Dang Affidavit attaches the Letter Agreement as

Exhibit “A” thereto. The Letter Agreement identifies the details of the Proposed Share Purchase Transaction and contains a provision that its terms be kept strictly confidential (the “**Confidentiality Clause**”).

40. Disclosing the Letter Agreement publically would not only breach the Confidentiality Clause, it would also be prejudicial to the commercial interests of both JDC Canada and Century. Further, such disclosure may frustrate the ability of Yukon Zinc to complete a successful proposal under these Proposal Proceedings.

Extension of time for filing a proposal

41. As stated above, Yukon Zinc filed the NOI on July 31, 2019. Therefore, under Section 50.4(8) of the BIA, Yukon Zinc will be deemed to have been assigned into bankruptcy on August 30, 2019 if an extension of time is not granted by that date.
42. As detailed above, Yukon Zinc will require an extension of time to facilitate the completion of the Proposed Share Purchase Transaction and file a proposal, and seeks that extension until October 5, 2019.

Part 3 LEGAL BASIS

A. Extension of time for filing a proposal

1. Yukon Zinc seeks an extension of time for filing a proposal under these proceedings to October 5, 2019 (the “**Extension**”).
2. Section 50.4(9) of the BIA provides that this Court may grant to an insolvent person an extension of time to file a proposal, for a period not exceeding 45 days, if satisfied that: the insolvent person:
 - (a) the insolvent person has acted, and is acting, in good faith and with due diligence;
 - (b) the insolvent person would likely be able to make a viable proposal if the extension applied for were granted; and

(c) no creditor would be materially prejudiced if the extension applied for were granted.

3. Yukon Zinc has acted in good faith and with due diligence both prior to the commencement and during these Proposal Proceedings. Yukon Zinc has sourced sufficient funding to ensure that it meets all of its obligations as they come due through the proposal proceedings, as extended, including to ensure the completion of the Proposed Share Purchase Transaction with Century before September 30, 2019. The Extension will allow Yukon Zinc to complete a successful restructuring.

B. Approval of the Administration Charge

4. Yukon Zinc seeks the Administration Charge in the amount of \$250,000 to secure the collective fees and disbursements of the Proposal Trustee, legal counsel to the Proposal Trustee, and legal counsel to Yukon Zinc incurred in relation to these Proposal Proceedings.

5. Section 64.2(1) of the BIA expressly provides the Court with the authority to grant a charge in favour of financial, legal, or other professionals involved in proposal proceedings under the BIA.

BIA, s. 64.2(1)

6. Administration and financial advisor charges have been previously approved in proposal proceedings where the participation of financial, legal, and other professionals is necessary to ensure a successful proceeding under the BIA. Courts have considered the complexity of the applicant's business in assessing the reasonableness of the quantum of the charge sought.

***Danier Leather Inc. Re*, 2016 ONSC 1044, at paras. 57-58,
citing *Colossus Minerals Inc. Re*, 2014 ONSC 514**

7. The participation of the Proposal Trustee, legal counsel for the Proposal Trustee, and counsel for Yukon Zinc are necessary to ensure a successful proposal under these Proposal Proceedings. The quantum of the Administration Charge was determined in

consultation with the Proposal Trustee and its counsel, and is fair and reasonable in light of the complexity of Yukon Zinc's business and the issues anticipated to arise in the context of these Proposal Proceedings, including in dealing with YG.

B. Approval of the Interim Lending Facility and the Interim Lender's Charge

8. Yukon Zinc seeks the approval of the Interim Lending Facility Agreement and the Interim Lender's Charge in the maximum amount of \$3 million plus interest and fees as provided for in the Interim Lending Facility Agreement. The Interim Lender's Charge is to rank in priority to all Encumbrances, but behind the YG Security and the Administration Charge, respectively.
9. Section 50.6 of the BIA vests the Court with the authority to grant an interim financing charge in priority to any secured creditor of the applicant on notice to the secured creditors who are likely to be affected by the security or charge.

BIA, s. 50.6

10. In deciding whether to make an order under section 50.6, the Court is to consider, among other things:
 - (a) the period during which the applicant is expected to be subject to proceedings under this Act;
 - (b) how the applicant's business and financial affairs are to be managed during the proceedings;
 - (c) whether the applicant's management has the confidence of its major creditors;
 - (d) whether the loan would enhance the prospects of a viable proposal being made in respect of the applicant;
 - (e) the nature and value of the applicant's property;
 - (f) whether any creditor would be materially prejudiced as a result of the security or charge; and

- (g) the trustee's report referred to in paragraph 50(6)(b) or 50.4(2)(b), as the case may be.

11. These factors support the granting of the Interim Lender's Charge. If the Interim Lender's Charge is granted, Yukon Zinc, along with JDC and Century, intends to work diligently to complete the Proposed Share Purchase Transaction. During these proceedings, Yukon Zinc's operations will continue under the oversight of the Proposal Trustee, and Yukon Zinc will fund the Projected Remediation Costs. Without the provision of the Interim Lending Facility, Yukon Zinc would not be able to carry on business, to the detriment of all its stakeholders.
12. The proposed Interim Lending Facility is on commercially reasonable terms: weekly draws of \$250,000 or increments thereof issued are permitted with no standby fee; the interest rate is 18% per annum; and there is no prepayment penalty. The Interim Lending Facility has the support of the Proposal Trustee.
13. In consideration of the foregoing factors, the relief sought by Yukon Zinc with respect to the Interim Lending Facility and the Interim Lender's Charge is necessary and appropriate in the circumstances. All secured creditors of Yukon Zinc have been provided with Notice of this Application.

C. The Sealing Order is Required

14. The Court has the authority to order that certain materials filed with the Court be sealed on the Court file. The Supreme Court of Canada has stated that such an order can be granted where:
 - (a) such order is necessary in order to prevent a serious risk to an important interest, including a commercial interest, in the context of litigation because reasonably alternative measures will not prevent the risk; and
 - (b) the salutary effects of the confidentiality order, including the effects on the right of civil litigants to a fair trial, outweigh its deleterious effects, including the

effects on the right to free expression, which in this context includes the public interest in open and accessible court proceedings.

Sierra Club of Canada v. Canada (Minister of Finance),

2002 SCC 41, at para. 53

15. The need to keep confidential the contents of the Letter Agreement fits squarely within the test established by *Sierra Club*. The Letter Agreement details as to the commercial terms of the Proposed Share Purchase Transaction and contains the Confidentiality Clause. Disclosure of the Letter Agreement would: (a) breach the Confidentiality Clause; and (b) be prejudicial to the commercial interests of the parties thereto, and to Yukon Zinc's prospects of competing a successful proposal in these Proposal Proceedings.
16. Yukon Zinc has complied with the procedure for seeking a sealing order set out in the "*B.C. Supreme Court Practice Directive PD - 35*, Practice Direction, Sealing Orders in Civil and Family Proceedings, June 1, 2012".

Part 4 MATERIAL TO BE RELIED ON

1. First Report of the Proposal Trustee to the Court, to be filed; and
2. Affidavit #1 of Aihua Dang, made August 14, 2019; and
3. Affidavit #2 of Aihua Dang, made August 14, 2019 (the Confidential Dang Affidavit).

The applicants estimate that the application will take **1 hour**.

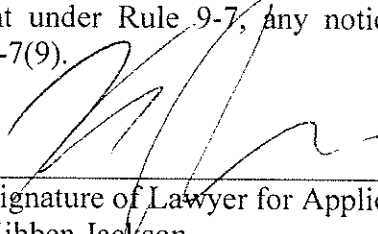
- ☒ This matter is NOT within the jurisdiction of a master.

TO THE PERSONS RECEIVING THIS NOTICE OF APPLICATION: If you wish to respond to this Notice of Application, you must, within 5 business days after service of this Notice of Application or, if this application is brought under Rule 9-7, within 8 business days after service of this Notice of Application,

- (a) file an Application Response in Form 33,
- (b) file the original of every affidavit, and of every other document, that
 - (i) you intend to refer to at the hearing of this application, and
 - (ii) has not already been filed in the proceeding, and

- (c) serve on the applicant 2 copies of the following, and on every other party of record one copy of the following:
- (i) a copy of the filed Application Response;
 - (ii) a copy of each of the filed affidavits and other documents that you intend to refer to at the hearing of this application and that has not already been served on that person;
 - (iii) if this application is brought under Rule 9-7, any notice that you are required to give under Rule 9-7(9).

Dated: 14-Aug-2019



Signature of Lawyer for Applicant
Kibben Jackson

To be completed by the court only:

Order made

☐ in the terms requested in paragraphs of Part 1 of this Notice of Application

☐ with the following variations and additional terms:

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.....
.....

Date:

.....
Signature of ☐ Judge ☐ Master

The Solicitors for the Applicant are Fasken Martineau DuMoulin LLP, whose office address and address for delivery is 550 Burrard Street, Suite 2900, Vancouver, BC V6C 0A3 Telephone: +1 604 631 3131 Facsimile: +1 604 631 3232. (Reference: KXJ/302569.00008)

APPENDIX

THIS APPLICATION INVOLVES THE FOLLOWING:

- ☐ discovery: comply with demand for documents
- ☐ discovery: production of additional documents
- ☐ other matters concerning document discovery
- ☐ extend oral discovery
- ☐ other matter concerning oral discovery
- ☐ amend pleadings
- ☐ add/change parties
- ☐ summary judgment
- ☐ summary trial
- ☐ service
- ☐ mediation
- ☐ adjournments
- ☐ proceedings at trial
- ☐ case plan orders: amend
- ☐ case plan orders: other
- ☐ experts

SCHEDULE “A”

SERVICE LIST

SCHEDULE "A" TO NOTICE OF APPLICATION

No. B-190481
Province of British Columbia
Bankruptcy Division
Vancouver Registry
Estate No. 11-2541152

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

SERVICE LIST

Government of Yukon Department of Energy, Mines and Resources P.O. Box 2703 Whitehorse, Yukon Y1A 5T1 Attn: Laurie Henderson and John Porter Email: Laurie.Henderson@gov.yk.ca; JPorter@tgf.ca <i>Counsel for Yukon Government</i>	Swallow Investments Inc. 410 - 938 Howe Street Vancouver, B.C. V6Z 1N9
	Bank of Montreal 234 Simcoe Street Toronto, Ontario M5T 1T4
FMD Enterprises Ltd. 2900 - 550 Burrard Street Vancouver, B.C. V6C 0A3	Jinduicheng Molybdenum Group Co. Jinduicheng Town, Hua County Shaanxi Province, PRC 714102
Jinduicheng Canada Resources Corporation Limited 410 - 700 West Pender Street Vancouver, B.C. V6C 1G8	Welichem Research General Partnership 1655 - 999 West Hastings Street Vancouver, B.C. V6C 2W2
Jingyou Lu, Aihua Dang, George Mah, Yu Luo, Xiaoyun Yuan 705 - 1030 West Georgia Street Vancouver, B.C. V6E 2Y3	Borden Ladner Gervais LLP Attn: Lisa Hiebert and Ryan Laity Email: lhiebert@blg.com; rlaity@blg.com <i>Counsel for the Proposal Trustee</i>

SCHEDULE “B”

DRAFT ORDER

SCHEDULE "B" TO NOTICE OF APPLICATION

No. B-190481
Province of British Columbia
Bankruptcy Division
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**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

ORDER MADE AFTER APPLICATION

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BEFORE)	THE HONOURABLE)
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August 21, 2019

ON THE APPLICATION OF Yukon Zinc Corporation ("**Yukon Zinc**"), coming on for hearing at 800 Smithe Street, Vancouver, British Columbia on August 21, 2019, and on hearing Kibben Jackson, counsel for Yukon Zinc Corporation, and those parties listed in Schedule "A" attached hereto; AND UPON READING the material filed, including Affidavit #1 of Aihua Dang, sworn August 14, 2019 (the "**First Dang Affidavit**");

THIS COURT ORDERS that:

1. Pursuant to Section 50.4(9) of the *Bankruptcy and Insolvency Act* (the "**BIA**"), the time by which Yukon Zinc must file a proposal in these proceedings is hereby extended to October 5, 2019.
2. Alvarez & Marsal Canada Inc. (the "**Proposal Trustee**"), in its capacity as proposal trustee of Yukon Zinc, counsel to the Proposal Trustee and counsel to Yukon Zinc shall be entitled to the benefit of and are hereby granted a charge (the "**Administration Charge**") on the assets, property and undertakings of Yukon Zinc (the "**Property**"), which charge shall not exceed the aggregate amount of \$250,000, as security for their respective fees and disbursements incurred at the standard rates and charges of the Proposal Trustee and its counsel and of counsel for Yukon Zinc, both before and after the making of this order, which are related to Yukon Zinc's proposal and the fulfillment of the Proposal Trustee's duties hereunder and under the *BIA*.

3. The Administration Charge shall constitute a charge on the Property, and shall rank in priority to all other security interests, trusts, liens, charges, encumbrances and other claims of secured creditors, statutory or otherwise (collectively, "**Encumbrances**"), in favour of any person, save and except any security interest in favour of the Yukon Government that may arise pursuant to Section 14.06(7) of the *BIA* (the "**YG Security**").
4. Yukon Zinc is hereby authorized and empowered to obtain and borrow funds under a credit facility (the "**Interim Lending Facility**") from Century Acquisitions Inc. (the "**Interim Lender**") in order to finance Yukon Zinc's working capital requirements, including the costs associated with its care and maintenance obligations at the Wolverine Mine site and these proceedings, provided that borrowings under such credit facility shall not exceed \$3,000,000 unless permitted by further order of this court.
5. The Credit Facility shall be on the terms and subject to the conditions set forth in the interim credit facility agreement between Yukon Zinc and the Interim Lender dated August 14, 2019 (the "**Interim Financing Agreement**"), a copy of which is attached as Exhibit "L" to the First Dang Affidavit.
6. Yukon Zinc is hereby authorized and empowered to execute and deliver such other documents (collectively, the "**Definitive Documents**") as are contemplated by the Interim Financing Agreement or as may be reasonably required by the Interim Lender pursuant to the terms thereof, and Yukon Zinc is hereby authorized and directed to pay and perform all of its indebtedness, interest, fees, liabilities and obligations to and in favour of the Interim Lender under and pursuant to the Interim Financing Agreement and the Definitive Documents as and when the same become due and are to be performed, notwithstanding any other provision of this order.
7. The Interim Lender shall be entitled to the benefits of and is hereby granted a charge (the "**Interim Lender's Charge**") the Property to secure all obligations under the Interim Financing Agreement and the Definitive Documents incurred on or after the date of this order which charge shall not exceed the aggregate amount advanced on or after the date of this order under the Interim Financing Agreement and the Definitive Documents plus any interest thereon and fees payable under the Definitive Documents.
8. The Interim Lender's Charge shall constitute a charge on the Property, and shall rank in priority to all Encumbrances in favour of any person, save and except: (i) the YG Security; and (ii) the Administration Charge.
9. Notwithstanding any other provision of this order or the stay pursuant to section 69.1 of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the "**BIA**"):
 - (a) the Interim Lender may take such steps from time to time as it may deem necessary or appropriate to file, register, record or perfect the Interim Lender's Charge or any of the Definitive Documents;
 - (b) upon the occurrence of an event of default under the Interim Financing Agreement, the Definitive Documents or the Interim Lender's Charge, the Interim Lender, immediately upon providing written notice to Yukon Zinc and the Trustee, may exercise any and all of its rights and remedies against Yukon Zinc or

the Property under or pursuant to the Interim Financing Agreement, the Definitive Documents and the Interim Lender's Charge, including without limitation, to cease making advances to Yukon Zinc and set off and/or consolidate any amounts owing by the Interim Lender to Yukon Zinc against the obligations of Yukon Zinc to the Interim Lender under the Interim Financing Agreement, the Definitive Agreements or the Interim Lender's Charge, to make demand, accelerate payment and give other notices, or to apply to this court for the appointment of a receiver, receiver and manager or interim receiver, or for a bankruptcy order against Yukon Zinc and for the appointment of a trustee in bankruptcy of Yukon Zinc; and

- (c) the foregoing rights and remedies of the Interim Lender shall be enforceable against any trustee in bankruptcy, interim receiver, receiver or receiver and manager of Yukon Zinc or the Property.
10. The filing, registration or perfection of the Administration Charge and the Interim Lender's Charge (together, the "**Charges**") shall not be required, and the Charges shall be valid and enforceable for all purposes, including as against any right, title and interest filed, registered, recorded or perfected subsequent to Charges coming into existence, notwithstanding any such failure to file, register, record or perfect.
 11. Except as otherwise expressly provided for herein, or as may be approved by this court, Yukon Zinc shall not grant any Encumbrances over any Property that rank in priority to, or *pari passu* with, the Charges, unless Yukon Zinc also obtains the prior written consent of the Proposal Trustee and the beneficiaries of the applicable Charge.
 12. The Charges, the Interim Financing Agreement and the Definitive Documents shall not be rendered invalid or unenforceable and the rights and remedies of the Interim Lender thereunder shall not otherwise be limited or impaired in any way by:
 - (a) any application(s) for bankruptcy order(s) issued pursuant to the *BIA*, or any bankruptcy order(s) made pursuant to such applications;
 - (b) the filing of any assignments for the general benefit of creditors made pursuant to the *BIA*;
 - (c) the filing by Yukon Zinc for relief pursuant to the *Companies' Creditors Arrangement Act*;
 - (d) the provisions of any federal or provincial statutes; or
 - (e) any negative covenants, prohibitions or other similar provisions with respect to borrowings, incurring debt and the creation of Encumbrances, contained in any existing loan documents, lease, sublease, offer to lease or other agreement (collectively, an "**Agreement**") which binds Yukon Zinc, and notwithstanding any provision to the contrary in any Agreement:
 - (i) neither the creation of the Charges nor the execution, delivery, perfection, registration or performance of any documents in respect thereof, including the Interim Financing Agreement or the Definitive Documents, shall

create or be deemed to constitute a new breach by Yukon Zinc of any Agreement to which it is a party; and the beneficiaries of the Charges shall not have any liability to any individual, firm, corporation, governmental body or agency, or any other entities (all of the foregoing, collectively being “Persons” and each being a “Person”) whatsoever as a result of any breach of any Agreement caused by or resulting from the creation of the Charges, or Yukon Zinc entering into the Interim Financing Agreement, or the execution, delivery or performance of the Definitive Documents; and

- (ii) the payments made by Yukon Zinc pursuant to this order, including pursuant to the Interim Financing Agreement or the Definitive Documents, and the granting of the Charges, do not and will not constitute preferences, fraudulent conveyances, transfers at undervalue, oppressive conduct or other challengeable or voidable transactions under any applicable law.
- 13. Any interested Person may apply to this court on notice to any other party likely to be affected, for an order to allocate either or both of the Charges amongst the various assets comprising the Property.
 - 14. This court hereby requests the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada to give effect to this order and to assist Yukon Zinc and the Proposal Trustee, and their respective 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 Yukon Zinc and to the Trustee, as an officer of this court, as may be necessary or desirable to give effect to this order, to assist Yukon Zinc and the Trustee and their respective agents in carrying out the terms of this order.
 - 15. Any interested party (including Yukon Zinc and the Proposal Trustee) may apply to this court to vary or amend this order on not less than seven days’ notice to any other party or parties likely to be affected by the order sought or upon such other notice, if any, as this court may order.
 - 16. This order and all of its provisions are effective as of 12:01 a.m. Pacific Time on the date of this order.

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17. Endorsement of this order by counsel and all other parties appearing is hereby dispensed with, other than counsel for Yukon Zinc.

THE FOLLOWING PARTIES APPROVE THE FORM OF THIS ORDER AND CONSENT TO EACH OF THE ORDERS, IF ANY, THAT ARE INDICATED ABOVE AS BEING BY CONSENT.

Signature of Kibben Jackson

☒ Lawyer for Yukon Zinc

BY THE COURT

REGISTRAR

SCHEDULE “B” TO NOTICE OF APPLICATION

No. B-190481
Province of British Columbia
Bankruptcy Division
Vancouver Registry
Estate No. 11-2541152

**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

ORDER MADE AFTER APPLICATION

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+1 604 631 3131

Counsel: Kibben Jackson
Matter No: 302569.00008

SCHEDULE “C”
SEALING ORDER

SCHEDULE "C" TO NOTICE OF APPLICATION

No. B-190481
Province of British Columbia
Bankruptcy Division
Vancouver Registry
Estate No. 11-2541152

**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

SEALING ORDER

BEFORE THE HONOURABLE)
) August ____, 2019
)
_____)

ON THE APPLICATION OF Yukon Zinc Corporation ("**Yukon Zinc**"), coming on for hearing at 800 Smithe Street, Vancouver, British Columbia on August 21, 2019, and on hearing Kibben Jackson, counsel for Yukon Zinc Corporation, and those parties listed in Schedule "A" attached hereto; AND UPON READING the material filed, including Affidavit #1 of Aihua Dang, sworn August 14, 2019 (the "**First Dang Affidavit**"); AND pursuant to the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the "**BIA**"), the British Columbia Supreme Court Civil Rules, and the inherent jurisdiction of this Honourable Court;

THIS COURT ORDERS that:

Access to Sealed Items permitted by:
[Select all applicable]

☐ Counsel of Record
☐ Parties on Record
☒ Further Court Order
☐ Others _____

Items to be sealed

Document Name	Date filed <i>(Date on Court Stamp)</i>	Number of copies filed, including any extra copies for the judge	Duration of sealing order: <i>(to specific date or until further order)</i>	Sought:	Granted	
					Yes	No
<u>(1) Entire File</u>				<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<u>(2) Specific Document</u> Affidavit #2 of Aihua Dang	August __, 2019	2	Until further notice	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<u>(3) Clerk's Notes</u>	N/A	N/A	N/A	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<u>(4) Order</u>	N/A	N/A	N/A	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Signature of Kibben Jackson

☒ Lawyer for Yukon Zinc

BY THE COURT

REGISTRAR

SCHEDULE "A"

SERVICE LIST

No. B-190481
Province of British Columbia
Bankruptcy Division
Vancouver Registry
Estate No. 11-2541152

**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

SERVICE LIST

Government of Yukon Department of Energy, Mines and Resources P.O. Box 2703 Whitehorse, Yukon Y1A 5T1 Attn: Laurie Henderson and John Porter Email: Laurie.Henderson@gov.yk.ca; JPorter@tgf.ca <i>Counsel for Yukon Government</i>	Swallow Investments Inc. 410 - 938 Howe Street Vancouver, B.C. V6Z 1N9 Bank of Montreal 234 Simcoe Street Toronto, Ontario M5T 1T4
FMD Enterprises Ltd. 2900 - 550 Burrard Street Vancouver, B.C. V6C 0A3	Jinduicheng Molybdenum Group Co. Jinduicheng Town, Hua County Shaanxi Province, PRC 714102
Jinduicheng Canada Resources Corporation Limited 410 - 700 West Pender Street Vancouver, B.C. V6C 1G8	Welichem Research General Partnership 1655 - 999 West Hastings Street Vancouver, B.C. V6C 2W2
Jingyou Lu, Aihua Dang, George Mah, Yu Luo, Xiaoyun Yuan 705 - 1030 West Georgia Street Vancouver, B.C. V6E 2Y3	Borden Ladner Gervais LLP Attn: Lisa Hiebert and Ryan Laity Email: lhiebert@blg.com; rlaity@blg.com <i>Counsel for the Proposal Trustee</i>

SCHEDULE “C” TO NOTICE OF APPLICATION

No. B-190481
Province of British Columbia
Bankruptcy Division
Vancouver Registry
Estate No. 11-2541152

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

SEALING ORDER

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