



**No. S-234673
Vancouver Registry**

IN THE SUPREME COURT OF BRITISH COLUMBIA

**SUMITOMO CANADA LIMITED
Petitioner**

And

**MINTO METALS CORP.
Respondent**

**RECEIVER'S FIRST REPORT TO COURT
(Prepared for the July 18-20, 2023 Court Hearing)**

July 14, 2023

**IN THE MATTER OF THE RECEIVERSHIP OF
CERTAIN ASSETS OF MINTO METALS CORP.
RECEIVER’S FIRST REPORT TO COURT**

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1. INTRODUCTION

- 1.1 On June 29, 2023, (the “**Receivership Date**”) the Supreme Court of British Columbia (the “**Court**”), on application by Sumitomo Canada Limited (“**Sumitomo**”), granted an Order (the “**Limited Receivership Order**”) which, among other things:
- 1.1.1 Appointed PricewaterhouseCoopers Inc., (“**PwC**”) as receiver and manager (the “**Receiver**”) without security, over certain assets of Minto Metal Corp. (“**Minto**” or the “**Debtor**”). The certain assets refer to all copper concentrates produced by the Debtor and in which respect title had not already transferred (the “**Unsold Concentrate**”) and all proceeds thereof;
- 1.1.2 Authorized and directed the Receiver to sell the Unsold Concentrate up to 403.3 dry metric tonnes (“**DMT**”) to Sumitomo for the purchase price of United States Dollars (“**USD**”) \$1,488,927.14, less all reasonably incurred transportation costs (the “**Receiver’s Concentrate Sale**”); and
- 1.1.3 Authorized Sumitomo to remove any copper concentrates owned by them, located at the Debtor’s mine site (the “**Sold Concentrate**”), without interference.
- 1.2 On July 5, 2023, the Court amended the Limited Receivership Order (the “**Amended Limited Receivership Order**”) which, among other things:
- 1.2.1 Confirmed that all claims shall attach to the net proceeds of sale from the Unsold Concentrate in the same priority as they had with respect to the Unsold Concentrate immediately prior to the sale; and
- 1.2.2 Confirmed all lien claimant’s ability to take the necessary steps to preserve their rights as lien claimants.
- 1.3 This is the Receiver’s First Report to the Court (the “**First Report**”). The First Report was prepared for a hearing scheduled from July 18 to 20, 2023, for the purpose of updating the Court on the Receiver’s activities since its appointment on June 29, 2023.
- 1.4 Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian Dollars (“**CAD**”).
- 1.5 Attached as **Appendix A** is a Glossary of Defined Terms used in this First Report.

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2. BACKGROUND

- 2.1 The Debtor was incorporated in the Province of British Columbia on November 23, 2021, as a result of an amalgamation performed through a reverse-take-over of 1246778 B.C. Ltd. by Minto Explorations Ltd.. The Debtor is a publicly listed company on the TSX Venture Exchange and trades under the symbol MNT0.
- 2.2 The Debtor is in the business of mining, processing and exploration, through a copper-gold-silver mine located 240km northwest of Whitehorse, Yukon (the “**Minto Mine**”).
- 2.3 In May 2023, the Debtor ceased all operations at the Minto Mine and the Government of Yukon (“**YG**”) assumed care and control of the Minto Mine. JDS Energy & Mining Inc. (“**JDS**”) was contracted by YG to carry out this work.

Mining Operations & Copper Concentrate

- 2.4 The Minto Mine includes a processing plant, built during 2006-2007 that has the capacity to process an average of 4,000 DMT of concentrate per day. As part of the milling process, a preliminary report is generated that indicates the estimated weight and mix of the concentrate.
- 2.5 Once processed, the concentrate is transported to a storage shed (the “**Concentrate Shed**”) via a 24” x 37” long concentrate discharge conveyor belt. The Concentrate Shed is reported to have a storage capacity of 18,000 DMT.
- 2.6 The concentrate is then typically loaded into a 25 or 50 tonne truck and transported to either the ports of Skagway, Alaska or Stewart, BC, and then shipped to the end market. The road access to the Minto Mine crosses the Yukon River. To transit the Yukon River, the trucks cross by barge during the summer and on an ice road that is established during the winter months. Two times a year, transportation of concentrate is halted for roughly ~6 weeks when switching between winter and summer trucking.
- 2.7 In July 2019, the Debtor entered into an agreement with Sumitomo to sell 100% of the concentrates produced at the Minto Mine, up to a total of 325,000 DMT (the “**Offtake Agreement**”).
- 2.8 Under the Offtake Agreement, Sumitomo pays 90% of the estimated purchase price of the concentrate and assumes ownership once this payment is made (the “**Provisional Payment**”).
- 2.9 The remaining 10% payment (the “**Final Payment**”) is made once the concentrate is delivered to Japan, and final weighing and assays are performed. The assaying determines

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the final weight, mix of concentrate (copper-gold-silver), and quality of material, which is used to determine whether any final pricing adjustments are necessary.

- 2.10 The Debtor's books and records indicate that there was an estimated 11,290 DMT of concentrates at the Minto Mine as of the Receivership Date (the "**Concentrate**"). The Receiver understands that Sumitomo paid approximately USD\$39 million to purchase 10,887 DMT of the Concentrate (the "**Sold Concentrate**"), leaving an estimated 403 DMT of Unsold Concentrate as at the Receivership Date.
- 2.11 Pursuant to the Receivership Order, the Receiver sold to Sumitomo the Unsold Concentrate (the "(the "**Receiver's Concentrate Sale**").
- 2.12 JDS has been contracted by Sumitomo to coordinate the transportation of the Concentrate from the Minto Mine to the Port of Stewart, for eventual transportation to Sumitomo in Japan. The port of arrival in Japan has not been determined by Sumitomo at this stage.

3. RECEIVER'S ACTIVITIES SINCE ITS APPOINTMENT

- 3.1 Since its appointment, the Receiver has undertaken, *inter alia*, the following activities:
 - 3.1.1 Contacted JDS to coordinate a site visit by the Receiver;
 - 3.1.2 Met with JDS and attended the Minto Mine to conduct a site visit and inspect the Unsold Concentrate;
 - 3.1.3 Held separate discussions with Sumitomo and YG in regard to the Concentrate and their planned removal from the Minto Mine;
 - 3.1.4 Sold the Unsold Concentrate to Sumitomo;
 - 3.1.5 Worked with JDS and Sumitomo to track the daily movement of Concentrate; and
 - 3.1.6 Prepared this First Report to the Court.

4. SITE INSPECTION

- 4.1 On July 1, 2023, the Receiver attended the Minto Mine and completed an inspection of the Concentrate. As part of this inspection, the Receiver:
 - 4.1.1 Verified that the Minto Mine had appropriate security. Access to the Minto Mine is limited, as it requires the crossing of the Yukon River, which can only be performed through the use of a boat or barge;

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- 4.1.2 Inspected the Concentrate Shed and verified that it was secure. Access to the Concentrate Shed is via a locked, heavy-duty door, or the overhead truck doors which are kept closed, except during removal of the Concentrate;
- 4.1.3 Viewed the Concentrate located within the Concentrate Shed and spoke to JDS about their transportation plans and procedures for weighing the Concentrate before leaving the Minto Mine; and
- 4.1.4 Inspected the truck weigh scale located in the Concentrate Shed and noted that it was last calibrated in June 2023. The Receiver also tested the weigh scale to ensure it was working effectively.

5. COPPER CONCENTRATE

- 5.1 The Receiver has worked with Sumitomo to be established as a vendor in their accounting system to facilitate the payment of the Receiver's Concentrate Sale. Sumitomo has processed the Provisional Payment to the Receiver. The Receiver received the payment of \$US1,340,034.42 on July 13, 2023.
- 5.2 The Concentrate at the Minto Site is still in its wet state and is expected to lose 5-10% of its weight once dry, which is consistent with industry benchmarks. Due to the wet state, the weight of the Concentrate loaded from the Minto Mine is reported in wet metric tonnes ("WMT").
- 5.3 On July 3, 2023, JDS began loading and hauling the Concentrate from the Minto Mine. As of July 12, 2023, 1,429.71 WMT of Concentrate has been removed from the Minto Mine:

Date	Quantity (WMT)
July 3, 2023	24.54
July 4, 2023	86.13
July 5, 2023	127.31
July 6, 2023	61.47
July 7, 2023	58.30
July 8, 2023	328.70
July 9, 2023	131.27
July 10, 2023	223.08
July 11, 2023	194.44
July 12, 2023	194.47
TOTAL	1,429.71

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- 5.4 The Receiver expects the 403 DMT of Concentrate sold under the Receiver's Concentrate Sale to have been removed from the Minto Mine by July 17, 2023. After this, only the Sold Concentrate will remain at the Minto Mine.
- 5.5 Based on the current average rate of transportation, it is estimated that all of the Concentrate will be removed from the Minto Mine by the end of September 2023.
- 5.6 As the Concentrate is transported from the Minto Mine to Sumitomo, it will be weighed at three locations:
- 5.6.1 The Minto Mine Concentrate Shed before leaving the site;
 - 5.6.2 The Port of Stewart, located in British Columbia, where the Concentrate is loaded for shipment (the "**Port of Loading**"); and
 - 5.6.3 An as yet undetermined port located in Japan, where the Concentrate is offloaded (the "**Port of Discharge**").
- 5.7 Due to the size restrictions of the barge located at the Minto Mine, JDS is required to use smaller trucks to transport the Concentrate across the Yukon River, which is then offloaded at a staging location in Whitehorse, Yukon (the "**Whitehorse Staging Location**"). The Concentrate is then loaded onto larger hauling trucks and transported to the Port of Stewart. This transfer process is performed as the use of smaller trucks to haul to the Port of Stewart is more costly than performing the reloading and sending larger trucks on fewer trips.
- 5.8 During transportation of the Concentrate there is a likelihood for a variance to occur in the Concentrate weight. This potential variance can be attributed to, among other things:
- 5.8.1 Residual concentrate sticking to the equipment used in handling (e.g. the loader bucket, used to pick up the concentrate and transfer it into the haul truck);
 - 5.8.2 Change in the concentrate moisture content as it dries out; and
 - 5.8.3 Dusting during transport. Dusting occurs when the Concentrate is dry and the particles may become airborne at various stages of handling.
- 5.9 Due to the fluctuations that occur during handling of the Concentrate, as described above, the final weighing, sampling and moisture determination for final weights is completed at the Port of Discharge. The weighing throughout the other stages are interim steps required for loading. The preliminary weight of Concentrate will be used by the Receiver to corroborate the movement of Concentrate throughout transportation.

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- 5.10 Due to the expected fluctuations, the Receiver expects that there will be adjustments to the purchase price established in the Receiver's Concentrate Sale. Until the assaying is performed and the quality and mix of the copper, silver and gold is known, the final purchase price will not be established.
- 5.11 The Receiver notes that these adjustments are typical practices within the industry and has held discussions with Sumitomo about potential adjustments. Factoring in the estimated time for transportation and assaying, the Receiver does not expect to be in a position to confirm the final adjustments until approximately March 2024.
- 5.12 As of July 12, 2023, the Concentrate in WMT is currently located at:

Location	As of July 12, 2023 (WMT)
Minto Mine Concentrate Shed	11,216
In Transit	1,307
Port of Loading	121
Port of Discharge	0
TOTAL	12,645

6. MATTERS RELATED TO THE POTENTIAL BROADER RECEIVERSHIP ORDER

- 6.1 The Receiver is aware of opposition to the pending application by Sumitomo for the broader receivership order to be heard commencing with the July 18, 2023, by certain stakeholders. Notwithstanding, the Receiver has consented to act as both receiver and trustee in bankruptcy in 2 applications being brought by Sumitomo. Should the Court appoint PwC in these capacities, the other orders made could materially impact these administrations and the court's officer. In this regard, the Receiver makes the following practical observations for the Court and other parties to consider.
- 6.2 All information provided is intended to provide all parties with the Receiver's view of the practical implications for decisions being considered.

Shipment of concentrate from Minto Mine

- 6.3 Currently the transportation of Concentrate from the Minto Mine is being completed by JDS as a third-party contactor. The Minto Mine does not have the necessary equipment in working order (e.g. barge, loader, and haul trucks) to perform this function. In the event that hauling from Minto Mine is halted, it is likely that JDS's equipment will be demobilised from site as it will no longer be in use. At the time of eventual resumption of transportation, a contractor would be required to mobilise equipment to the Minto Mine and once finished, demobilise again.

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- 6.4 Should the Minto Mine lose access to the current barge being used by JDS, it is unclear to the Receiver whether there would be any adverse implication of no longer having a barge facility to transport people, supplies and equipment across the Yukon River. It may become necessary for the Receiver to procure a replacement barge or expense funds to repair the Minto barge.
- 6.5 In addition, the Receiver would need to ensure that the Concentrate is appropriately protected and safe guarded. If the summer transport window is missed, it is unclear to the Receiver the full extent of the costs of fulfilling this obligation for an extended period of time, including through the winter months. Estate funds would be required to ensure the safe storage of the concentrate.

Equipment used for care and maintenance

- 6.6 Minto Mines ceased operations in mid-May and all employees were terminated. Since that time, YG has been performing the necessary care and maintenance function, including the critical water treatment.
- 6.7 YG are now requesting a carve-out of certain equipment to allow it to perform the care and maintenance function that would otherwise have been performed by Minto. The Receiver is expecting that if the Sumitomo application for a full receivership is successful, that the care and maintenance function will not form part of the duties of the Receiver and YG will continue to perform the water treatment and other care and maintenance functions. Accordingly, the Receiver understands the sensibility of the carve-out and assuming YG maintains and insures the equipment, would not object to same.
- 6.8 The Receiver notes that the list of equipment and assets sought to be carved-out is extensive and this will impact certain aspects of the receivership. The interest of the Receiver is simply to ensure that its potential appointment is aligned with any orders made in respect of this carve-out.

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This report is respectfully submitted this 14th day of July, 2023.

**PricewaterhouseCoopers Inc.,
In its capacity as Court-Appointed Receiver of
Certain Assets of Minto Metals Corp.
And not in its personal capacity**



**Michael Vermette, CPA, CA, CIRP, LIT
Senior Vice President**



**Spencer Oppal, CPA
Senior Manager**



APPENDIX A

Glossary of Defined Terms



Term	Definition
Amended Limited Receivership Order	The Order granted by the Court on July 5, 2023 amending the Limited Receivership Order
CAD	Canadian Dollars
Concentrate	The estimated 11,290 DMT of concentrate located at the Minto Mine as of the Receivership Date
Concentrate Shed	The storage shed for concentrate at the Minto Mine
Court	The Supreme Court of British Columbia
Debtor	Minto Metals Corp.
DMT	Dry Metric Tonnes
First Report	The Receiver's First Report to the court dated July 14, 2023
Final Payment	The final 10% payment for the purchase of concentrate under the Offtake Agreement
JDS	JDS Energy & Mining Inc.
Limited Receivership Order	The Order granted by the Court on June 29, 2023, appointing PwC as receiver and manager of certain assets of Minto Metals Corp.
Minto	Minto Metals Corp.
Minto Mine	The mine located 240km northwest of Whitehorse, Yukon
Offtake Agreement	The agreement dated July 2019, entered into by Sumitomo and Minto, for the sale of concentrate
Port of Discharge	An undetermined port located in Japan, where the Concentrate is offloaded
Port of Loading	The Port of Stewart, Located in British Columbia, where the Concentrate is loaded for eventual shipment to the Port of Discharge
Property	Assets, undertakings and property of Minto Metals Corp.
Provisional Payment	The 90% payment by Sumitomo to Minto for the purchase of concentrate under the Offtake Agreement
PwC	PricewaterhouseCoopers Inc.
Receiver	PricewaterhouseCoopers Inc., in its capacity as Court-Appointed Receiver of Minto Metals Corp.
Receiver's Concentrate Sale	The sale of 403.3 DMT of copper concentrate to Sumitomo for USD\$1,488,927.14
Receivership Date	June 29, 2023, the date the Court granted the Limited Receivership Order
Sold Concentrate	The 10,887 DMT of concentrate owned by Sumitomo, located at the Debtor's mine site
Sumitomo	Sumitomo Canada Limited, the petitioner
Unsold Concentrate	Copper concentrates owned by the Debtor, in which respect title has not transferred and all proceeds thereof
USD	United States Dollars
Whitehorse Staging Location	A transfer station / staging shed located in Whitehorse, Yukon
WMT	Wet Metric Tonnes
YG	The Government of Yukon

APPENDIX B

Reporting Table Template

Date	Concentrate at Minto Site (WMT)	Concentrate in Transit (WMT)	Concentrate at Port of Loading (WMT)	Concentrate at Port of Discharge (WMT)
July 13, 2023	11,216.24	1,307.87	121.84	0.00
TOTAL				

The Receiver intends to use the above table to track the movement of Concentrate and subsequently update the table and submit it as part of future Receiver Reports.
