

**THE SECURITIES ACT**

)

**Order No. 2826**

)

**Section 20**

)

**March 1, 2000**

**ROYAL OAK MINES INC.**

**WHEREAS:**

(A) Royal Oak Mines Inc. (the "Applicant") makes application to The Manitoba Securities Commission (the "Commission") for an order pursuant to subsection 20(1) of the *Securities Act*, R.S.M. 1988, c. S50 (the "Act") revoking in part Commission Order No. 2718, issued December 2, 1999 (the "Cease Trade Order"), which permanently ceased trading in the securities of the Applicant so as to permit trades as contemplated by a proposed reorganization by the Applicant.

(B) The applicant has represented to the Commission that:

1. The Applicant is a corporation incorporated under the *Business Corporations Act* (Ontario) (the "OBCA") on July 23, 1991. It is a reporting issuer or the equivalent thereof in Manitoba and each of the other provinces and territories of Canada.
2. The share capital of the Applicant consists of an unlimited number of Common Shares and Special Shares, of which there are approximately 163 million Common Shares outstanding.
3. The Common Shares are listed on the Toronto Stock Exchange; however on April 16, 1999 the Toronto Stock Exchange suspended trading of the Common Shares.
4. The Applicant's securities are currently subject to the Cease Trade Order for failing to file its continuous disclosure as required by the Act.

CCAA and BIA Proceedings

5. On February 15, 1999, the Applicant submitted an application under the *Companies' Creditors' Arrangement Act* (Canada) (the "CCAA") seeking an opportunity to present a plan of compromise or arrangement to its creditors. Its application was granted and the Ontario Superior Court of Justice granted an Initial Order under the CCAA on February 15, 1999 (the "Initial Order").
6. The Initial Order appointed PricewaterhouseCoopers Inc. ("PwC") as Monitor.
7. Following the Initial Order, the Applicant continued mining operations and continued capital expenditure programs which included the construction of its

tailings dam in accordance with the requirements of the British Columbia government. It prepared cash-flow forecasts which were reviewed by PwC and which were the subject of PwC's reports to the Court. PwC also reported to the Court and to the Applicant's creditors concerning the Applicant's financial performance on a receipts and disbursements basis.

8. Stakeholders of the Applicant lost confidence in the ability of the Board of Directors and management to effect a compromise. As a result, the management of the Applicant brought a motion to the Court for the appointment of an interim receiver.

9. On April 16, 1999, PwC was appointed by court order as interim receiver of the property, assets and undertaking of The Applicant pursuant to section 47 of the *Bankruptcy and Insolvency Act* (the "BIA"). Under that court order, PwC was directed to market the Applicant's business for sale either on the basis of a restructuring or on the basis of an asset sale.

10. As Interim Receiver, PwC submitted its marketing plan to the Court for approval and approval was granted on May 3, 1999.

11. At the time of the appointment order, the Applicant's major assets consisted of four operating mines, two mines on "care and maintenance" status, a number of exploration and development properties, a number of investments in publicly traded stocks and its wholly-owned subsidiary, Arctic Precious Metals, Inc. By far the most significant asset owned by the Applicant is its interest in the Kemess Mine in northern British Columbia.

12. PwC received and accepted offers made for the purchase of the Applicant's assets. Substantially all of the assets, other than the Kemess Mine have been sold or otherwise disposed of.

13. PwC received an acceptable offer for the Kemess Mine in the marketing process. However, rather than complete that sale, and with the concurrence of the Kemess Mine asset purchaser the PwC sought approval of the Court to file the Proposal (as defined below) under the BIA to compromise the claims of creditors and to provide for the continuation of the Applicant's mining business at Kemess by the Applicant. The restructuring of the Applicant would provide greater benefits to all of the stakeholders than would a sale of the Kemess Mine in accordance with the accepted offer.

#### The Proposal

14. Under the terms of the proposal the capital structure, assets and liabilities of the Applicant will be completely restructured. The Proposal allows for the compromise or satisfaction of claims of the Applicant's creditors, permits the Applicant to continue as a going concern with the Kemess Mine as the

Applicant's principal asset and allows for the possibility of new business to be introduced to the Applicant in the future (the "Proposal").

15. The reorganization of the capital and assets of the Applicant and compromise of the Applicant's liabilities as set out in the Proposal will be accomplished in the following steps:

(a) the sale of a royalty interest in the Kemess Mine to Northgate Resources Limited ("Northgate"), or its nominee, equal to 95% of the net cash flow of the Kemess Mine and subject to the transfer and conversion rights contained in a Royalty Agreement;

(b) the transfer of all remaining assets of the Applicant, other than the Kemess Mine, or relating to, the Kemess Mine, to a wholly-owned subsidiary which assets are to be sold and the proceeds distributed to certain creditors; and

(c) the satisfaction or assumption of outstanding indebtedness of the Applicant through the distribution of a portion of the purchase price for the royalty and the issuance of Common Shares and Non-voting Shares.

16. Implementation of the Proposal requires the following distributions of securities of the Applicant take place:

(a) Trilon, a secured creditor of the Applicant, will receive Common Shares representing 48.5% and Non-voting Shares such that Trilon's equity interest will total 67% of the restructured Applicant in exchange for a release of \$15 million of indebtedness;

(b) the holders of certain notes issued by the Applicant will receive a payment of \$1.0 million in cash in repayment of costs plus Non-voting Shares representing a 30% equity interest in the restructured Applicant, in exchange for and satisfaction of their approximately \$263 million of secured and unsecured creditor claims; and

(c) the Unsecured Creditors will receive a cash payment of \$2.0 million and Non-voting Shares equal to a 2% equity interest in the restructured Applicant, calculated on a fully-diluted basis, in exchange for and satisfaction of approximately \$424 million of Unsecured Creditor claims, including government claims.

17. The Court authorized PwC to file the Proposal on behalf of the Applicant by its order dated November 22, 1999. As noted above, the Proposal was filed in accordance with the BIA on December 3, 1999, accepted by all classes of

creditors on December 14, 1999 and approved by the Court, on notice to all creditors and shareholders, on January 4, 2000.

18. The total number of Non-voting Shares to be issued to Unsecured Creditors resident in Manitoba will not exceed 1% of the equity interest in the Applicant following the reorganization.

19. All of the distributions have been approved by the Court under the BIA and will be effected through a reorganization under section 186 of the OBCA to be effected on February 7, 2000.

20. The Common Shares held by the Applicant's shareholders prior to the reorganization will be consolidated on a 100 for 1 basis and existing shareholders will hold 51.5% of the voting shares of the restructured Applicant representing a 1% equity interest.

21. As a consequence of the implementation of the Proposal, virtually all of the debt of Royal Oak and to the creditors affected by the Proposal will be either compromised or assumed.

22. As a consequence of demands imposed on the Applicant's accounting resources to accurately and quickly report on matters related to cash flow and utilization of cash, no resources were available to create the Interim Financial Statements.

23. PwC has continually filed with the Court detailed reports on at least a monthly basis of sources and uses of funds in the carrying on of the Applicant's business since the Initial Order was made.

24. Audited financial statements for the Applicant for the year ended December 31, 1999 will be filed with the Commission by the Applicant after implementation of the Proposal and which will reflect the impact of the operations during the CCAA and BIA proceedings and the effect of the Proposal.

(C) The Commission is of the opinion that it would not be prejudicial to the public interest to grant the order requested.

**IT IS ORDERED:**

**1. THAT**, pursuant to subsection 20(1) of the Act, the Cease Trade Order is hereby revoked only to the extent necessary to permit trades to Unsecured Creditors pursuant to the Proposal

**2. THAT** the fee for this Order is \$650.00.

**BY ORDER OF THE COMMISSION**

**Director – Legal**