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Mineral Fields 2011 V Super Flow Through LP	Mineral Fields 2011 V Super Flow Through LP Toronto, ON	
Pathway Mining 2010 Flow-Through LP	Pathway Mining 2010 Flow-Through LP Toronto, ON	
Pathway Mining 2011 Flow Through LP	Pathway Mining 2011 Flow Through LP Toronto, ON	
Pathway Quebec Mining 2010 Flow-Through LP	Pathway Quebec Mining 2010 Flow-Through LP Toronto, ON	
Ms. Phyllis Beaulieu	Nunavut Water Board Goja Haven, NU	1.867.360.6369
Radio Licences	Industry Canada District Office Saskatoon, SK	306.975.4231
Niels Verbann	SGS Canada Inc. Lakefield, ON	905.652.6365

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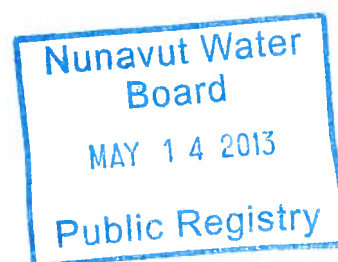
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**ONTARIO  
SUPERIOR COURT OF JUSTICE  
[COMMERCIAL LIST]**

IN THE MATTER OF THE *BANKRUPTCY AND INSOLVENCY ACT*,  
R.S.C. 1985, c. B-3, AS AMENDED

AND IN THE MATTER OF THE NOTICE OF INTENTION OF STARFIELD RESOURCES  
INC., OF THE CITY OF TORONTO IN THE PROVINCE OF ONTARIO

**MOTION RECORD  
(returnable May 16, 2013)**

May 14<sup>th</sup>, 2013

**FASKEN MARTINEAU DuMOULIN LLP**  
333 Bay Street – Suite 2400  
Bay Adelaide Centre, Box 20  
Toronto, Ontario M5H 2T6

**Stuart Brotman** [LSUC No. 43430D]  
**Dylan Chochla** [LSUC No. 62137I]  
Tel: (416) 366 8381  
Fax: (416) 364 7813

Solicitors for the Debtor, Starfield Resources Inc.

**TO THE ATTACHED SERVICE LIST:**



**SERVICE LIST  
(APRIL 24, 2013)**

TO:	<p>Cassels Brock &amp; Blackwell LLP 2100 Scotia Plaza 40 King Street West Toronto, ON M5H 3C2</p> <p>Attention Larry Ellis Phone: 416.869.5406 Fax: 416.640.3004 Email: lellis@casselsbrock.com</p> <p>Counsel to PricewaterhouseCoopers Inc., in its capacity as the Proposal Trustee</p>
AND TO:	<p>PricewaterhouseCoopers Inc. PwC Tower Suite 2600, 18 York Street Toronto, ON M5J 0B2</p> <p>Attention: Pritesh Patel / Paul Van Eyk / Clark Lonergan / Tracey Weaver Phone: 416.863.1133 Fax: 416.365.8215 Email: pritesh.r.patel@ca.pwc.com / paul.vaneyk@ca.pwc.com / clark.lonergan@ca.pwc.com / tracey.weaver@ca.pwc.com</p>
AND TO:	<p>Aird &amp; Berlis LLP Brookfield Place, 181 Bay Street Suite 1800, Box 754 Toronto, ON M5J 2T9</p> <p>Attention: Steven L. Graff Phone: 416. 865.7726 Fax: 416. 865.1515 Email: sgraff@airdberlis.com</p> <p>Counsel to the Directors of Starfield Resources Inc.</p>
AND TO:	<p>Discovery 2010 Flow-Through Limited Partnership 812 Memorial Dr. NW Calgary, AB T2N 3C8</p> <p>Attention: Rob Lauzon Phone: 403.269.2100 Email: rlauzon@middlefield.com</p>

AND TO:	<p>Davis LLP Suite 6000, 1 First Canadian Place PO Box 367, 100 King St W Toronto ON M5X 1E2</p> <p>Attention: Davis Foulds / Brandon Barnes Phone: 416.941.5392 / 416.365.3429 Fax: 416.777.7414 / 416.777.7432 Email: dfoulds@davis.ca / bbarnes@davis.ca</p> <p>Counsel to Nicholson &amp; Associates Natural Resource Development Inc.</p>
AND TO:	<p>John O'Sullivan Barristers &amp; Solicitors Suite 1402, 390 Bay Street Toronto, ON M5H 2Y2</p> <p>Attention: John O'Sullivan Phone: 416.252.5555 Email: jos@johnosullivanlaw.com</p> <p>Counsel to Thanda Resources Inc.</p>
AND TO:	<p>Canada Revenue Agency c/o Department of Justice The Exchange Tower 130 King Street West Suite 3400, P.O. Box 36 Toronto, ON M5X 1K6</p> <p>Attention: Diane Winters Phone: 416.973.3172 Fax: 416.973.0810 Email: diane.winters@justice.gc.ca</p> <p>Counsel to Canada Revenue Agency</p>
AND TO:	<p>Ministry of Finance Legal Services Branch 6<sup>th</sup> Floor, 33 King Street West Oshawa, ON L1H 8H5</p> <p>Attention: Kevin O'Hara Phone: 905.436.4510 Fax: 1.866.888.3850 Email: kevin.ohara@ontario.ca</p> <p>Counsel to Ministry of Finance Ontario</p>

AND TO:	Government of Nunavut, Taxation Division Department of Finance, P.O. Box 2260 Iqaluit, NU X0A 0H0  Attention: Payroll Remittance Email: payrolltax@gov.nu.ca
AND TO:	Nunavut Water Board P.O. Box 119 Goja Haven, NU X0B 1J0  Attention: Ms. Phyllis Beaulieu Phone: 1.867.360.6338 Fax: 1.867.360.6369
AND TO:	Industry Canada District Office 7th Floor, 123 2nd Avenue South Saskatoon, SK S7K 7E6  Attention: Radio Licences Phone: 1.877.783.7757 Fax: 306.975.4231
AND TO:	KPMG LLP Suite 4600, 333 Bay Street Toronto, ON M5H 2S5  Attention: Ken McKay Phone: 416.777.8494 Fax: 416.777.8818 Email: kenmckay@kpmg.ca
AND TO:	Major Drilling International Inc. 1 Timber Lane Flin Flon, MB R8A 1N4  Attention: Douglas Wilson Phone: 204.687.3482 Email: flinflon@majordrilling.com
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AND TO:	Stone 2010 WCP Flow Through LP Suite 710, 36 Toronto Street Toronto, ON M5C 2C5  Attention: Stone 2010 WCP Flow Through LP Email: info@stoneco.com
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# INDEX

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
[COMMERCIAL LIST]**

IN THE MATTER OF THE *BANKRUPTCY AND INSOLVENCY ACT*,  
R.S.C. 1985, c. B-3, AS AMENDED

AND IN THE MATTER OF THE NOTICE OF INTENTION OF STARFIELD RESOURCES  
INC., OF THE CITY OF TORONTO IN THE PROVINCE OF ONTARIO

**MOTION RECORD  
(returnable May 16, 2013)**

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**TAB 1**

Court File No. CV13-10034-00CL

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
[COMMERCIAL LIST]**

IN THE MATTER OF THE *BANKRUPTCY AND INSOLVENCY ACT*,  
R.S.C. 1985, c. B-3, AS AMENDED

AND IN THE MATTER OF THE NOTICE OF INTENTION OF STARFIELD RESOURCES  
INC., OF THE CITY OF TORONTO IN THE PROVINCE OF ONTARIO

**NOTICE OF MOTION  
(returnable May, 16, 2013)**

**STARFIELD RESOURCES INC.**, the debtor in the above referenced proceedings (the "Debtor"), will make a motion to a judge of the Commercial List on Thursday, May 16, 2013 at 10:00 a.m., or as soon after that time as the motion can be heard, at the Court House at 330 University Avenue, Toronto, Ontario.

**PROPOSED METHOD OF HEARING:** The motion is to be heard orally.

**THE MOTION IS FOR:**

- (a) an order substantially in the form attached hereto as Schedule "A", pursuant to, *inter alia*, section 50.4(9) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the "BIA");
- (i) abridging the time for delivery of this Notice of Motion and the Motion Record;

- (ii) extending the time within which a proposal must be filed with the Official Receiver to June 7, 2013; and
  - (iii) approving the third report of PricewaterhouseCoopers Inc. ("PwC"), in its capacity as Proposal Trustee (the "Proposal Trustee") dated May 14, 2013 (the "Third Report") and the activities of the Proposal Trustee as described therein; and
- (b) such further and other relief as this Honourable Court may deem just.

**THE GROUNDS FOR THE MOTION ARE:**

- (a) the Debtor filed a Notice of Intention to Make a Proposal ("NOI") under section 50.4 (1) of the BIA on March 7, 2013;
- (b) prior to filing its NOI, the Applicant had engaged PwC as a financial advisor to assist and advise on strategic alternatives;
- (c) PwC, with the assistance of management of the Debtor, undertook a sale and investment solicitation process in which it canvassed over 125 potential buyers or investors beginning on November 20, 2012;
- (d) on March 15, 2013, the Debtor sought and obtained an Order from this Honourable Court extending the time to file a proposal to April 26, 2013 to permit it and the Proposal Trustee to continue the sale and investment solicitation process in these BIA proceedings (the "Sale Process");

- (e) four non-binding letters of intent ("LOIs") were received as part of the Sales Process. The Proposal Trustee, in consultation with the Debtor and its legal counsel, determined that one LOI that it received from a potential purchaser on the morning of April 24, 2013 was acceptable as the total consideration offered of \$800,000 was significantly higher than the consideration offered by other interested parties and it included a \$100,000 deposit against the purchase price, of which \$50,000 would become non-refundable upon the satisfaction of certain conditions precedent (the "Proposed Transaction");
- (f) on April 26, 2013, the Debtor sought and obtained an Order from this Honourable Court further extending the time to file a proposal to May 20, 2013 to permit it and the Proposal Trustee to continue negotiations with the potential purchaser with a view to finalizing the Proposed Transaction;
- (g) the Proposal Trustee continues to negotiate the terms of a definitive Asset Purchase Agreement with the potential purchaser. The potential purchaser has satisfied itself with respect to certain conditions and has confirmed that the \$50,000 non-refundable portion of the deposit noted above was fully earned by the Debtor as of May 10, 2013, such funds to be used by the Debtor to close the Proposed Transaction;
- (h) the Debtor is seeking a third extension of the time to file a proposal to permit it . . . and the Proposal Trustee to finalize the Proposed Transaction on the following basis:

- (i) the Debtor has acted, and is continuing to act, in good faith and with due diligence in pursuing the Proposed Transaction in consultation with the Proposal Trustee;
  - (ii) it is too early to determine whether or not the Debtor will be in a position to make a viable proposal to creditors; however, the Proposal Trustee supports the requested stay extension to provide the Debtor with sufficient time to finalize the Proposed Transaction;
  - (iii) the Debtor's creditors will not be prejudiced by the requested extension, which is intended to allow the Debtor to finalize the Proposed Transaction for the benefit of all creditors;
  - (iv) the Debtor has sufficient cash-flow to continue to fund operations through the period ending June 7, 2013; and
  - (v) the Proposal Trustee is supportive of the requested extension.
- 
- (i) those further grounds as set out in the affidavit of Philip S. Martin sworn May 14, 2013;
  - (j) those further grounds as set out in the Third Report, and the appendices thereto;
  - (k) section 50.4(9) of the *Bankruptcy and Insolvency Act*, and Rules 1.04, 1.05, 2.01, 2.03, 3.02, 16 and 37 of the *Rules of Civil Procedure*; and
  - (l) such further other grounds as counsel may advise and this Honourable Court may permit.



**THE FOLLOWING DOCUMENTARY EVIDENCE** will be used at the hearing of the motion:

- (a) the affidavit of Philip S. Martin sworn May 14, 2013;
- (b) the Third Report, and the appendices thereto; and
- (c) such other material as counsel may advise and this Honourable Court may permit.

May 14, 2013

**FASKEN MARTINEAU DuMOULIN LLP**  
Barristers & Solicitors  
333 Bay Street, Suite 2400  
Toronto, ON M5H 2T6

**Stuart Brotman (LSUC No. 43430D)**  
**Dylan Chochla (LSUC No. 62137I)**  
Tel: (416) 366 8381  
Fax: (416) 364 7813  
Solicitors for the Applicant, Starfield Resources Inc.

**TO: THE ATTACHED SERVICE LIST**

**SERVICE LIST**  
**(April 24, 2013)**

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AND TO:	<p>PricewaterhouseCoopers Inc.  PwC Tower  Suite 2600, 18 York Street  Toronto, ON M5J 0B2</p> <p>Attention: Pritesh Patel / Paul Van Eyk / Clark Lonergan / Tracey Weaver  Phone: 416.863.1133  Fax: 416.365.8215  Email: priteshr.patel@ca.pwc.com / paul.vaneyk@ca.pwc.com / clark.lonergan@ca.pwc.com / tracey.weaver@ca.pwc.com</p>
AND TO:	<p>Aird &amp; Berlis LLP  Brookfield Place, 181 Bay Street  Suite 1800, Box 754  Toronto, ON M5J 2T9</p> <p>Attention: Steven L. Graff  Phone: 416. 865.7726  Fax: 416. 865.1515  Email: sgraff@airdberlis.com</p> <p>Counsel to the Directors of Starfield Resources Inc.</p>
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AND TO:	<p>Government of Nunavut, Taxation Division          Department of Finance, P.O. Box 2260          Iqaluit, NU X0A 0H0</p> <p>Attention: Payroll Remittance          Email: payrolltax@gov.nu.ca</p>
AND TO:	<p>Nunavut Water Board          P.O. Box 119          Goja Haven, NU X0B 1J0</p> <p>Attention: Ms. Phyllis Beaulieu          Phone: 1.867.360.6338          Fax: 1.867.360.6369</p>
AND TO:	<p>Industry Canada District Office          7th Floor, 123 2nd Avenue South          Saskatoon, SK S7K 7E6</p> <p>Attention: Radio Licences          Phone: 1.877.783.7757          Fax: 306.975.4231</p>
AND TO:	<p>KPMG LLP          Suite 4600, 333 Bay Street          Toronto, ON M5H 2S5</p> <p>Attention: Ken McKay          Phone: 416.777.8494          Fax: 416.777.8818          Email: kenmckay@kpmg.ca</p>
AND TO:	<p>Major Drilling International Inc.          1 Timber Lane          Flin Flon, MB R8A 1N4</p> <p>Attention: Douglas Wilson          Phone: 204.687.3482          Email: flinflon@majordrilling.com</p>
AND TO:	<p>SGS Canada Inc.          185 Concession St.          P.O. Box 4300          Lakefield, ON K0L 2H0</p> <p>Attention: Niels Verbann          Phone: 705.652.2138          Fax: 905.652.6365</p>

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May-14-13 02:14pm From:Fasken Martineau DuMulin LLP 416 364 7813 T-840 P.023/101 F-267

021

AND TO:

Stone 2010 WCP Flow Through LP  
Suite 710, 36 Toronto Street  
Toronto, ON M5C 2C5

Attention: Stone 2010 WCP Flow Through LP  
Email: [info@stoneco.com](mailto:info@stoneco.com)

IN THE MATTER OF THE BANKRUPTCY AND INSOLVENCY ACT, R.S.C. 1985, c. B-3, AS AMENDED

AND IN THE MATTER OF THE NOTICE OF INTENTION OF STARFIELD RESOURCES INC., OF THE CITY OF TORONTO IN THE PROVINCE OF ONTARIO

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
[COMMERCIAL LIST]**

**Proceedings commenced in Toronto**

**NOTICE OF MOTION  
(returnable May 16, 2013)**

**FASKEN MARTINEAU DUMOULIN LLP**  
333 Bay Street – Suite 2400  
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**Stuart Brotman (LSUC No. 43430D)  
Dylan Chochla (LSUC No. 62137D)**

Tel: 416 366 8381  
Fax: 416 364 7813

**Solicitors for the Debtor, Starfield Resources Inc.**



# TAB 1A

Court File No. CV13-10034-00CL

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
[COMMERCIAL LIST]**


THE HONOURABLE _____	)	THURSDAY, THE 16th
	)	
JUSTICE _____	)	DAY OF MAY, 2013

IN THE MATTER OF THE *BANKRUPTCY AND INSOLVENCY ACT*,  
R.S.C. 1985, c. B-3, AS AMENDED

AND IN THE MATTER OF THE NOTICE OF INTENTION OF STARFIELD RESOURCES  
INC., OF THE CITY OF TORONTO IN THE PROVINCE OF ONTARIO

**ORDER  
(Third Stay Extension)**

**THIS MOTION**, made by Starfield Resources Inc. (the "Debtor") pursuant to, *inter alia*, section 50.4(9) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the "BIA"), was heard this day at 330 University Avenue, Toronto, Ontario.

**ON READING** the affidavits of Philip S. Martin sworn May 14, 2013, the Third Report of PricewaterhouseCoopers Inc., in its capacity as Proposal Trustee (the "Proposal Trustee") dated May 14, 2013, and the appendices thereto (the "Third Report"), and on hearing the submissions of counsel for the Debtor, the Proposal Trustee, the directors of the Debtor, and , no one appearing for any other party although duly served as appears from the affidavit of service of Tasha Boyd sworn May 14, 2013, and on being advised that there are no secured creditors of the Debtor:

1. **THIS COURT ORDERS** that the time for service of the Notice of Motion and the Motion Record is hereby abridged and validated so that this Motion is properly returnable today and hereby dispenses with further service thereof.

2. **THIS COURT ORDERS** that, pursuant to subsection 50.4(9) of the BIA, the time within which a proposal must be filed with the Official Receiver under section 62(1) of the BIA be and is hereby extended to June 7, 2013.

3. **THIS COURT ORDERS** that the Third Report and the activities of the Proposal Trustee as described therein be and are hereby approved.

4. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States, to give effect to this Order and to assist the Debtor, 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 the Debtor and to the Proposal Trustee, as an officer of this Court, as may be necessary or desirable to give effect to this Order, to grant representative status to the Proposal Trustee in any foreign proceeding, or to assist the Debtor and the Proposal Trustee and their respective agents in carrying out the terms of this Order.

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Court File No. CV13-10034-00CL

IN THE MATTER OF THE BANKRUPTCY AND INSOLVENCY ACT, R.S.C. 1985, c. B-3, AS AMENDED

AND IN THE MATTER OF THE NOTICE OF INTENTION OF STARFIELD RESOURCES INC., OF THE CITY OF TORONTO IN THE PROVINCE OF ONTARIO

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
[COMMERCIAL LIST]**

**Proceedings commenced in Toronto**

**ORDER  
(Third Stay Extension)**

**FASKEN MARTINEAU DUMOULIN LLP**  
333 Bay Street - Suite 2400  
Bay Adelaide Centre, Box 20  
Toronto, ON M5H 2T6

**Stuart Brotman (I.SUC#: 43430D)  
Dylan Chochla (I.SUC#: 62137F)**

**Tel: 416 366 8381  
Fax: 416 364 7813**

**Solicitors for the Debtor, Starfield Resources Inc.**

TAB 2

Court File No. CV13-10034-00CL

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
[COMMERCIAL LIST]**

IN THE MATTER OF THE *BANKRUPTCY AND INSOLVENCY ACT*,  
R.S.C. 1985, c. B-3, AS AMENDED

AND IN THE MATTER OF THE NOTICE OF INTENTION OF STARFIELD RESOURCES  
INC., OF THE CITY OF TORONTO IN THE PROVINCE OF ONTARIO

**AFFIDAVIT OF PHILIP S. MARTIN  
(SWORN MAY 14, 2013)**

I, Philip S. Martin, Executive, of the City of Oakville, in the Province of Ontario, MAKE  
OATH AND SAY AS FOLLOWS:

1. I am a Director and the President and Chief Executive Officer of Starfield Resources Inc. ("Starfield") and as such have knowledge of the matters set out herein. Where information has been provided to me by others, I have stated the source of the information and believe it to be true.

2. On March 15, 2013 Starfield applied for and obtained an order, *inter alia*, approving a proposed sale process (the "Sale Process") and extending the initial stay of proceedings to April 26, 2013. The First Report to Court of PricewaterhouseCoopers Inc., in its capacity as trustee ("Trustee") in the proposal of Starfield (the "First Report") sets out the background of these proceedings and details the proposed Sale Process. A copy of the First Report is attached as

Appendix "C" to the Trustee's Third Report to Court, dated May 14, 2013 (the "Third Report").

A copy of the aforesaid order is attached as Appendix "A" to the Third Report.

3. Starfield and the Trustee administered the Sale Process in accordance with the First Report and were able to identify an acceptable letter of intent ("LOI") with a prospective bidder. On April 26, 2013 Starfield applied for and obtained an order further extending the stay of proceedings to May 20, 2013 to allow the Company and the Trustee to continue their negotiations with the prospective bidder. The Trustee's Second Report to Court (the "Second Report") sets out the terms of the LOI, which includes a \$100,000 deposit of which \$50,000 would become non-refundable upon the satisfaction of certain conditions precedent. A copy of the Second Report is attached as Appendix "D" to the Third Report. A copy of the aforesaid order is attached to the Third Report as Appendix "B".

4. I have reviewed the Third Report and confirm that the information set out therein pertaining to Starfield and its activities are true and correct in all respects to the best of my knowledge. I adopt such information as my evidence.

5. As set out in the Third Report, the non-refundable portion of the deposit became non-refundable and fully earned effective as of May 10, 2013 upon the waiver of certain of the conditions precedent contained in the LOI. Unless and until such time as the conditions in the LOI were waived so as to render the \$50,000 non-refundable, it was not clear as to whether a third stay extension was appropriate.

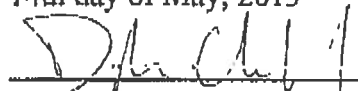
6. This affidavit was sworn as soon as possible after the \$50,000 became non-refundable. I am informed by Starfield's legal counsel, Dylan Chochla, that the latest available hearing date for a stay extension motion prior to May 20, 2013 was Thursday, May 16, 2013. The purpose of

such an extension will be to provide Starfield with time to consummate a transaction with the prospective purchaser.

7. In the circumstances, with the stay set to expire on May 20, 2013, Starfield had no choice but to proceed with a stay extension hearing on Thursday, May 16, 2013. I am advised by legal counsel for Starfield, Stuart Brotman, that if the stay period is not extended or a proposal filed before the stay period expires, Starfield will be deemed bankrupt.

8. I swear this Affidavit in support of a motion by Starfield for an extension of the stay period, and for no other or improper purpose.

**SWORN BEFORE ME** at the  
City of Toronto, in the  
Province of Ontario, this  
14th day of May, 2013

  
Dylan Chacko

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)  
)

  
**PHILIP S. MARTIN**



Court File No. CV13-10034-00CL

IN THE MATTER OF THE BANKRUPTCY AND INSOLVENCY ACT, R.S.C. 1985, c. B-3, AS AMENDED

AND IN THE MATTER OF THE NOTICE OF INTENTION OF STARFIELD RESOURCES INC., OF THE CITY OF TORONTO IN THE PROVINCE OF ONTARIO

<b>ONTARIO</b> <b>SUPERIOR COURT OF JUSTICE</b> <b>[COMMERCIAL LIST]</b> <b>Proceedings commenced in Toronto</b>	
<b>AFFIDAVIT OF PHILIP S. MARTIN</b>	
<b>FASKEN MARTINEAU DUMOULIN LLP</b> 33 Bay Street – Suite 2400 Bay Adelaide Centre, Box 20 Toronto, ON M5H 2T6 <b>Stuart Brotman (LSUC#: 43430D)</b> <b>Dylan Chochla (LSUC No. 62137I)</b> Tel: 416 366 8381 Fax: 416 364 7813	<b>Solicitor for the Applicant, Starfield Resources Inc.</b>



**THIRD REPORT TO COURT  
SUBMITTED BY PRICEWATERHOUSECOOPERS INC., ...  
IN ITS CAPACITY AS TRUSTEE UNDER THE  
NOTICE OF INTENTION OF  
STARFIELD RESOURCES INC.**

**May 14, 2013**

Court File No. CV13-10034-00CL

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
[COMMERCIAL LIST]**

**IN THE MATTER OF THE BANKRUPTCY AND INSOLVENCY ACT,  
R.S.C. 1985, c. B-3, AS AMENDED  
AND IN THE MATTER OF THE NOTICE OF INTENTION OF STARFIELD RESOURCES  
INC., OF THE CITY OF TORONTO IN THE PROVINCE OF ONTARIO**

**THIRD REPORT TO THE COURT  
SUBMITTED BY PRICEWATERHOUSECOOPERS INC.  
IN ITS CAPACITY AS TRUSTEE UNDER ~~THE NOTICE OF INTENTION OF ...~~  
STARFIELD RESOURCES INC.**

**May 14, 2013**

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### APPENDICIES

APPENDIX "A" –	ORDER OF THE HONOURABLE MR. JUSTICE NEWBOULD DATED MARCH 15, 2013
APPENDIX "B" –	ORDER (SECOND STAY EXTENSION) OF THE HONOURABLE MR. JUSTICE CUMMING DATED APRIL 26, 2013
APPENDIX "C" –	FIRST REPORT OF PRICEWATERHOUSECOOPERS INC. DATED MARCH 2, 2013
APPENDIX "D" –	SECOND REPORT OF PRICEWATERHOUSECOOPERS INC. DATED APRIL 24, 2013
APPENDIX "E" –	STARFIELD RESOURCES INC. REVISED CASH FLOW PROJECTION
APPENDIX "F" –	LETTER OF INTENT RECEIVED FROM AN INTERESTED PARTY

## I. INTRODUCTION

1. This report (the "**Third Report**") is filed by PricewaterhouseCoopers Inc. ("**PwC**"), in its capacity as proposal trustee ("**Trustee**") in connection with the Notice of Intention to Make a Proposal ("**NOI**") filed by Starfield Resources Inc. ("**Starfield**" or the "**Company**") on March 7, 2013 (the "**Filing Date**") under Section 50.4 (1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B.-3, as amended (the "**BIA**").
2. On March 15, 2013, the Ontario Superior Court of Justice (Commercial List) (the "**Court**") granted an order, *inter alia*, extending the stay of proceedings and the time for filing a proposal on the part of Starfield for a period of 20 days, up to and including April 26, 2013 (the "**March 15 Order**"). A copy of the March 15 Order is attached hereto as **Appendix "A"**.
3. On April 26, 2013, the Court granted an order, *inter alia*, extending the stay of proceedings and the time for filing a proposal on the part of Starfield for a period of 24 days, up to and including May 20, 2013 (the "**April 26 Order**"). A copy of the April 26 Order is attached hereto as **Appendix "B"**.
4. To date, the Trustee has filed two reports in respect of the Company's NOI. A copy of the first report dated March 8, 2013 (the "**First Report**") and second report dated April 24, 2013 (the "**Second Report**") is attached hereto as **Appendix "C"** and **Appendix "D"** respectively. The First Report addressed the Company's request for an administrative charge and directors' & officers' indemnification and charge, and for approval of the proposed retention payments and the Company's post-filing strategy, including the proposed sales process to be carried out by the Trustee. The Second Report addressed the Company's post-filing strategy, including an update to the proposed sales process being carried out by the Trustee and details surrounding a letter of intent ("**LOI**") received from an interested party for the Company's Ferguson Lake, Nunavut project (the "**Ferguson Lake Project**").

## II. PURPOSE OF REPORT

5. The purpose of this Third Report is to:
  - a) Provide this Court with a summary of the following:
    - (i) Background on the activities of the Company since the Second Report;
    - (ii) The Company's actual cash flows for the period from March 4, 2013 to May 10, 2013, including a comparison of actual to forecast results;

- (iii) The results of the Court-approved sales process (the **"Sales Process"**) including an update on the LOI dated April 24, 2013 (the **"Proposed Transaction"**) between the Company and an interested party (the **"Potential Purchaser"**) for the sale of ~~Company's assets related to the Ferguson Lake~~ Project;
  - (iv) The Company's request for an extension of the time required to file its proposal to June 7, 2013 (the **"Stay Extension"**); and
  - (v) Report on the activities of the Trustee since the Second Report.
- b) Recommend that this Court issue an order:
- (i) Approving the Company's request for the Stay Extension; and
  - (ii) Approving the activities of the Trustee as set out in this Third Report.

### III. QUALIFICATIONS

6. In preparing this Third Report, the Trustee has relied upon certain unaudited financial information of the Company, the Company's books and records, information obtained from personnel of the Company and other sources (collectively, the **"Information"**).
7. In accordance with industry practice, except as described in this Third Report:
  - a) The Trustee has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would comply with Generally Accepted Assurance Standards pursuant to the Canadian Institute of Chartered Accountants Handbook;
  - b) The Trustee has not examined or reviewed financial forecasts and projections referred to in this report in a manner that would comply with the procedures described in the Canadian Institute of Chartered Accountants Handbook;
  - c) Future oriented financial information reported or relied on in preparing this Third Report is based on assumptions regarding future events. Actual results may vary from forecast, even if the assumptions materialize, and such variations may be material.
8. The Trustee has prepared this Third Report for the use of the Court in consideration of the motion described in the Notice of Motion dated May 14, 2013, filed by Pasken Martineau DuMoulin LLP, counsel to the Company. The Third Report should not be relied on by other parties.

9. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian Dollars.

## IV. BACKGROUND

### Overview

10. The Trustee is of the view that the Company has provided the Trustee with its full co-operation and unrestricted access to its premise, books and records. The Trustee has been in communication with the Company in connection with the filing of its NOI, the monitoring of the Company's cash flows and variances to the Company's cash flow projection as filed with the Office of the Superintendent of Bankruptcy Canada on March 7, 2013 and the Company's revised cash flow projection as filed with the Office of the Superintendent of Bankruptcy Canada on April 24, 2013.
11. Since the Filing Date, the Company has continued to manage its minimal on-going operations and has worked with the Trustee to advance the Sales Process.
12. In addition to the Sales Process discussed below, the Company reached a settlement with respect to its option agreement relating to an early stage gold property in Nevada (the "**Dome Hill Project**"). Payment in the settlement amount of \$7,000 was received during the week of May 3, 2013.
13. As of the date of this Third Report, the Trustee understands that each of the Company's four consultants (the "**Key Employees**") are all being paid in the ordinary course by the Company.

## V. COMPANY'S CASH FLOWS FOR PERIOD FROM MARCH 4, 2013 TO MAY 10, 2013

14. Set out below is a summary of the Company's actual cash flow as compared to the Cash Flow Projection for the ten week period ending May 10, 2013:



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Starfield Resources Inc. Projected Statement of Cash Flow For the period ending May 10, 2013			
Week Ending (in CAD\$000s)	Actual Total	Budget Total	Fav/(UnFav) Variance
<b>Cash balance - Opening</b>	524.0	524.0	-
<b>Receipts</b>			
Sale Proceeds/Deposits/U.S. bank account funds	7.0	64.0	(57.0)
<b>Total Receipts</b>	7.0	64.0	(57.0)
<b>Disbursements</b>			
Maintenance Costs - U.S. mineral properties	7.5	51.2	43.7
Maintenance Costs - Ferguson Lake	-	0.6	0.6
Compensation	138.6	147.1	8.5
Rent & Utilities	38.7	38.7	-
Insurance	23.5	23.5	-
SG&A	(22.0)	39.9	61.9
Professional Fees	294.1	286.5	(7.6)
<b>Total Disbursements</b>	480.4	587.5	107.1
<b>Cash balance - Closing</b>	50.6	0.5	50.1

15. As detailed in the table above, the Company has achieved a net favourable cash flow variance of approximately \$50,100 as compared to forecast for the period from March 4, 2013 to May 10, 2013. The Company's actual net cash flow for the period was a net outflow of approximately \$473,400 as compared to a forecasted net outflow of approximately \$523,500.

16. The principal reasons for the favourable variance on net cash flow include:

- (i) Approximately \$61,900 SG&A - favourable variance due to lower than anticipated SG&A costs incurred to date and refunds of HST and corporate income taxes that were not forecasted;
- (ii) Approximately \$40,700 Maintenance Costs (U.S. mineral properties) - favourable variance related to the nickel-copper-cobalt-PGE project in Montana, USA (the "Stillwater Project") and copper-silver project in California, USA (the "Superior Project") due to lower than anticipated maintenance costs and unanticipated refund of state bonds;

- (iii) Approximately \$57,000 Proceeds from U.S. bank accounts - unfavourable permanent variance with respect to certain escrow funds that the Company has determined it does not have ownership claims to; and
  - (iv) Approximately \$7,600 Professional Fees - unfavourable variance related primarily to timing difference of invoices paid to date.
17. The Trustee is of the view that the Company is acting in a manner consistent with the Company's cash flow projections and as at the date of this Third Report, there have been no material adverse changes to the Company's operations since the Filing Date.

## VI. COMPANY'S CASH FLOWS FOR THE PERIOD ENDING JUNE 7, 2013

18. Starfield, with the assistance of the Trustee, has prepared revised consolidated cash flow projections of its receipts and disbursements for the 4-week period ending June 7, 2013 (the **"Revised Cash Flow Projection"**). The Revised Cash Flow Projection was filed with the Office of the Superintendent of Bankruptcy Canada on May 14, 2013. A copy of the Revised Cash Flow Projection is attached hereto as **Appendix "E"**. The Trustee has reviewed the assumptions supporting the Revised Cash Flow Projection and believes the assumptions to be reasonable.
19. The Revised Cash Flow Forecast assumes that the Company will continue to fund normal course obligations relating to the preservation and maintenance of its assets in Canada and the U.S. (held through subsidiaries), such as claim maintenance fees and other required maintenance costs, during these BIA proceedings. The majority of the projected expenses during this period relate to compensation for the Key Employees and professional fees which are required to advance the Sales Process.
20. As a result, based on the assumptions made by Starfield contained in the notes to the Revised Cash Flow Projection, the Trustee believes that Starfield will have sufficient funds to meet its current obligations through to June 7, 2013.

## VII. SALES PROCESS

21. As detailed in the First Report, the Sales Process provided a means for testing the market, gauging interest in the Company and/or its assets and determining whether a transaction that would result in realizations greater than liquidation value was available. The Sales Process was approved by this Honourable Court in the March 15 Order. The Trustee has been fully involved in all aspects of the Sales Process to date. It's the Trustee's view that the Sales Process has been carried out in accordance with the First Report and the March 15 Order and

has been fair and reasonable. Prospective interested parties were given a fair opportunity to make an offer for the Company and/or its assets.

22. As detailed in the Second Report a total of 4 LOIs were received as part of the Sales Process, . . .

As further discussed in the Second Report, the Proposed Transaction was the only LOI accepted by the Company and its board of directors as the total consideration offered of \$800,000 by the Potential Purchaser was significantly higher than the net minimum guarantee provided by one of the liquidators and included a \$100,000 deposit against the purchase price. Furthermore, the Proposed Transaction contained limited closing conditions and would allow for an expedited closing. Attached hereto as **Appendix "F"** is a redacted copy of the LOI between the Company and the Potential Purchaser;

23. Since the Second Report:

- a) The Potential Purchaser has satisfied itself with respect to certain conditions and has confirmed that the \$50,000 non-refundable portion of the deposit noted above was fully earned by the Company as of May 10, 2013. This amount was subsequently deposited into the Company's bank accounts and will be used to fund the closing costs of the Proposed Transaction and its associated asset and purchase agreement (the "APA");
- b) The Company continues to finalize the APA with the Potential Purchaser as of the date of this Third Report and, consistent with the Second Report, the Company still expects this transaction to close on or around May 15, 2013, and
- c) As at the time of the Third Report there have been no offers received by the Company in relation to its U.S. assets, including the Stillwater Project and Superior Project, however the Company will continue to explore options relating to these assets.

24. As detailed in the Revised Cash Flow Projection, should the Company not complete the Proposed Transaction prior to June 7, 2013, the Company will allow the stay period to expire without an extension or filing of a plan and be deemed to have made an assignment into bankruptcy.

## VIII. COMPANY'S REQUEST FOR THE STAY EXTENSION

25. The Company is seeking the Stay Extension to permit it and the Trustee to complete the Proposed Transaction and APA previously referenced. If granted, the Stay Extension will represent a further 19-day extension to the stay of proceedings which, together with the current 24-day extension granted by the Court in the April 26 Order, the first 20-day

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extension granted by the Court in the March 15 Order and the initial 30-day stay provided for in the BIA, will extend the stay period to 93 days from the filing of the NOI.

26. The Trustee supports the Company's request for the Stay Extension for the following reasons:

- a) The Company is acting in good faith and with due diligence in taking steps to facilitate a sale of its operations;
- b) It is the Trustee's view that the Stay Extension will not prejudice or adversely affect any group of creditors;
- c) The Revised Cash Flow Projection indicates that Starfield should have sufficient liquidity to continue to fund operations through the period ending June 7, 2013;
- d) It is the Trustee's view that the Stay Extension is required to provide the Company with sufficient time to close the Proposed Transaction; and
- e) The Stay Extension will provide the Company with additional time to make a final attempt at marketing and selling the Company's U.S. assets.

27. While it is too early to say whether a viable proposal will be presented by the Company to its creditors, the Trustee is of the view that the request for the Stay Extension is appropriate given the circumstances and more properly reflects the timeframe by which the Trustee will be able to provide a meaningful update to this Court and seek the Court's approval for the APA.

## IX. ACTIVITIES OF THE TRUSTEE

28. The Trustee's activities since the filing of the Second Report include:

- a) Review of the Company's weekly cash flow results, and discussions with the Company on material variances to the cash flow projections submitted;
- b) Review of the LOI, APA, and other materials related to the Sales Process;
- c) Discussions with the Company related to the Sales Process, LOI and APA;
- d) Discussions and correspondence with Fasken Martineau DuMoulin LLP, counsel to the Company;
- e) Discussions and correspondence with Cassels Brock & Blackwell LLP, counsel to the Trustee;
- f) Discussions with the Potential Purchaser and its counsel related to the LOI and APA;

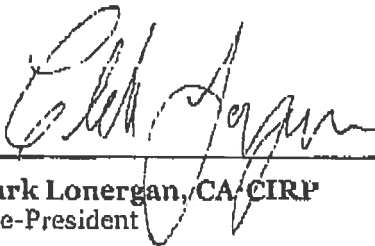
- g) Discussions with numerous interested parties in relation to the Sales Process; and
- h) Discussions with numerous creditors and shareholders on the status of the proceedings.

## **XI. RECOMMENDATION**

29. The Trustee recommends that this Court issue an Order approving the Company's request for the Stay Extension as this would be the best course of action available for all stakeholders as the Proposed Transaction will preserve some value for the assets of Starfield, whereas, should bankruptcy ensue, an immediate liquidation of the Company would likely result in an immediate and substantial diminution in realizable value for all creditors.

Dated the 14th day of May, 2013.

**RESPECTFULLY SUBMITTED,**



---

**Clark Lonergan, CA-CIRP**  
Vice-President

PricewaterhouseCoopers Inc.  
In its capacity as Proposal Trustee of  
Starfield Resources Inc.  
and not in its personal capacity

TAB 3A

Court File No. CV13-10034-00CL

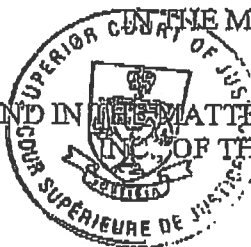
**ONTARIO  
SUPERIOR COURT OF JUSTICE  
[COMMERCIAL LIST]**

THE HONOURABLE MR  
JUSTICE NEWMAN

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FRIDAY, THE 15th  
DAY OF MARCH, 2013

IN THE MATTER OF THE *BANKRUPTCY AND INSOLVENCY ACT*,  
R.S.C. 1985, c. B-3, AS AMENDED  
AND IN THE MATTER OF THE NOTICE OF INTENTION OF STARFIELD RESOURCES  
INC. OF THE CITY OF TORONTO IN THE PROVINCE OF ONTARIO



~~INITIAL ORDER~~ WNT

THIS APPLICATION, made by Starfield Resources Inc. (the "Debtor") pursuant to, *inter alia*, sections 64.1 and 64.2 of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the "BIA"), was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the affidavit of Philip S. Martin sworn March 8, 2013 and the exhibits thereto, the First Report of PricewaterhouseCoopers Inc., in its capacity as Proposal Trustee (the "Proposal Trustee") dated March 8, 2013 and the appendices thereto (the "First Report"), and on hearing the submissions of counsel for the Debtor, the Proposal Trustee and the directors of the Debtor, no one appearing for any other party although duly served as appears from the affidavit of service of Tasha Boyd sworn March 8, 2013, and on being advised that there are no secured creditors of the Debtor:

**SERVICE**

1. **THIS COURT ORDERS** that the time for service of the Notice of Application and the Application Record is hereby abridged and validated so that this Application is properly returnable today and hereby dispenses with further service thereof.

**APPROVAL OF SALES PROCESS**

2. **THIS COURT ORDERS** that the Sale Process, as set out and defined in the First Report, be and is hereby approved and that the Debtor and the Proposal Trustee are hereby authorized and empowered take such steps as are necessary or desirable to carry out the Sale Process, provided that any definitive agreement executed by the Debtor in respect of the sale of all or any part of the Property (as defined herein) shall require the further approval of this Court.

**EXTENSION OF STAY PERIOD**

3. **THIS COURT ORDERS** that, pursuant to subsection 50.4(9) of the BIA, the time within which a proposal must be filed with the Official Receiver under section 62(1) of the BIA be and is hereby extended to April 26, 2013.

**DIRECTORS' AND OFFICERS' INDEMNIFICATION AND CHARGE**

4. **THIS COURT ORDERS** that the Debtor shall indemnify its directors and officers against obligations and liabilities that they may incur as directors or officers of the Debtor from and after the filing of the Debtor's notice of intention under section 50.4 of the BIA, except to the extent that, with respect to any officer or director, the obligation or liability was incurred as a result of the director's or officer's gross negligence or wilful misconduct.

5. **THIS COURT ORDERS** that the directors and officers of the Debtor shall be entitled to the benefit of and are hereby granted a charge (the "Directors' Charge") on all of the Debtor's current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate including all proceed thereof (the "Property"), which charge shall not exceed an aggregate amount of \$100,000, as security for the indemnity provided in paragraph 4 of this Order. The Directors' Charge shall have the priority set out in paragraphs 11 and 13 herein.

6. **THIS COURT ORDERS** that, notwithstanding any language in any applicable insurance policy to the contrary, (a) no insurer shall be entitled to be subrogated to or claim the benefit of the Directors' Charge, and (b) the Debtor's directors and officers shall only be entitled to the benefit of the Directors' Charge to the extent that they do not have coverage under any



directors' and officers' insurance policy, or to the extent that such coverage is insufficient to pay amounts indemnified in accordance with paragraph 4 of this Order.

#### **ADMINISTRATION CHARGE**

7. **THIS COURT ORDERS** that the Proposal Trustee, counsel to the Proposal Trustee, counsel to the Debtor and counsel to the directors of the Debtor shall be paid their reasonable fees and disbursements, in each case at their standard rates and charges, by the Debtor as part of the costs of these proceedings. ~~The Debtor is hereby authorized and directed to pay the accounts~~ of the Proposal Trustee, counsel for the Proposal Trustee, counsel for the Debtor and counsel for the directors of the Debtor as such accounts are rendered and, in addition, the Debtor is hereby authorized to pay to the Proposal Trustee, counsel to the Proposal Trustee, counsel to the Debtor and counsel to the directors of the Debtor, retainers in the amounts of \$50,000, \$15,000, \$25,000, and \$20,000, respectively, to be held by them as security for payment of their respective fees and disbursements outstanding from time to time

8. **THIS COURT ORDERS** that the Proposal Trustee and its legal counsel shall pass their accounts from time to time, and for this purpose the accounts of the Proposal Trustee and its legal counsel are hereby referred to a judge of the Commercial List of the Ontario Superior Court of Justice.

9. **THIS COURT ORDERS** that the Proposal Trustee, counsel to the Proposal Trustee, counsel to the Debtor and counsel to the directors of the Debtor shall be entitled to the benefit of and are hereby granted a charge (the "Administration Charge") on the Property, which charge shall not exceed an aggregate amount of \$100,000, as security for their professional fees and disbursements incurred at the standard rates and charges of the Proposal Trustee and such counsel, both before and after the making of this Order in respect of these proceedings. The Administration Charge shall have the priority set out in paragraphs 11 and 13 hereof.

#### **EMPLOYEE RETENTION PAYMENTS**

10. **THIS COURT ORDERS** that the Retention Payments, as described and defined in the First Report, are hereby approved and that the Debtor is hereby authorized and empowered to ~~make the Retention Payments in accordance with the terms set out in the First Report~~

**VALIDITY AND PRIORITY OF CHARGES CREATED BY THIS ORDER**

11. **THIS COURT ORDERS** that the priorities of the Directors' Charge and the Administration Charge, as among them, shall be as follows:

First – Administration Charge; and

Second – Directors' Charge.

12. **THIS COURT ORDERS** that the filing, registration or perfection of the Directors' Charge and the Administration Charge (collectively, the "Charges") shall not be required, and that the Charges shall be valid and enforceable for all purposes, including as against any right, title or interest filed, registered, recorded or perfected subsequent to the Charges coming into existence, notwithstanding any such failure to file, register, record or perfect.

13. **THIS COURT ORDERS** that each of the Directors' Charge and the Administration Charge (each as constituted and defined herein) shall constitute a charge on the Property and such Charges shall rank in priority to all other security interests, trusts, liens, charges and encumbrances, claims of secured creditors, statutory or otherwise (collectively, "Encumbrances") in favour of any Person...

14. **THIS COURT ORDERS** that except as otherwise expressly provided for herein, or as may be approved by this Court, the Debtor shall not grant any Encumbrances over any Property that rank in priority to, or *pari passu* with, any of the Directors' Charge or the Administration Charge, unless the Debtor also obtains the prior written consent of the Proposal Trustee, the beneficiaries of the Directors' Charge and the Administration Charge or further Order of this Court.

15. **THIS COURT ORDERS** that the Directors' Charge and the Administration Charge shall not be rendered invalid or unenforceable and the rights and remedies of the chargees entitled to the benefit of the Charges (collectively, the "Chargees") shall not otherwise be limited or impaired in any way by (a) the pendency of these proceedings and the declarations of insolvency made (expressly or impliedly) herein; (b) any application(s) for bankruptcy order(s) issued pursuant to BIA, or any bankruptcy order made pursuant to such applications; (c) any assignment for the general benefit of creditors made or deemed to have been made pursuant to

the BIA; (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 or the creation of Encumbrances, contained in any existing loan documents, lease, sublease, offer to lease or other agreement (collectively, an "Agreement") which binds the Debtor, and notwithstanding any provision to the contrary in any Agreement:

- (a) neither the creation of the Charges nor the payment of the Retention Payments shall create or be deemed to constitute a breach by the Debtor of any Agreement to which it is a party;
- (b) none of the Key Employees (as defined in the First Report) or the Chargees shall have any liability to any Person whatsoever as a result of any breach of any Agreement caused by or resulting from the Debtor paying the Retention Payments, the creation of the Charges, or the execution, delivery or performance of any related documents; and
- (c) the payments made by the Debtor pursuant to this Order, 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.

16. **THIS COURT ORDERS** that any Charge created by this Order over leases of real property in Canada shall only be a Charge in the Debtor's interest in such real property leases.

#### **SERVICE AND NOTICE**

17. **THIS COURT ORDERS** that the Debtor and the Proposal Trustee be at liberty to serve this Order, any other materials and orders in these proceedings, any notices or other correspondence, by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery or electronic transmission to the Debtor's creditors or other interested parties at their respective addresses as last shown on the records of the Debtor and that any such service or notice by courier, personal delivery or electronic transmission shall be deemed to be received on the next business day following the date of forwarding thereof, or if sent by ordinary mail, on the third business day after mailing.

18. **THIS COURT ORDERS** that the Debtor, the Proposal Trustee, and any party who has filed a Notice of Appearance may serve any court materials in these proceedings by e-mailing a PDF or other electronic copy of such materials to counsels' email addresses as recorded on the Service List from time to time, and the Proposal Trustee may post a copy of any or all such materials on its website at [www.pwc.com/car-starfield](http://www.pwc.com/car-starfield).

#### GENERAL

19. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States, to give effect to this Order and to assist the Debtor, 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 the Debtor and to the Proposal Trustee, as an officer of this Court, as may be necessary or desirable to give effect to this Order, to grant representative status to the Proposal Trustee in any foreign proceeding, or to assist the Debtor and the Proposal Trustee and their respective agents in carrying out the terms of this Order.

20. **THIS COURT ORDERS** that each of the Debtor and the Proposal Trustee be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order, including the enforcement of any Charge established hereby.

21. **THIS COURT ORDERS** that any interested party (including the Debtor and the Proposal Trustee) may apply to this Court to vary or amend this Order on not less than seven (7) 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.

ENTERED AT / INSCRIT A TORONTO  
ON / BOOK NO.:  
LE / DANS LE REGISTRE NO.:



MAR 15 2013



Court File No. CV13-10034-00CL

IN THE MATTER OF THE BANKRUPTCY AND INSOLVENCY ACT, R.S.C. 1985, c. B-3, AS AMENDED

AND IN THE MATTER OF THE NOTICE OF INTENTION OF STARFIELD RESOURCES INC., OF THE CITY OF TORONTO IN THE PROVINCE OF ONTARIO

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
[COMMERCIAL LIST]**

**Proceedings commenced in Toronto**

**ORDER**

**FASKEN MARTINEAU DUMOULIN LLP**  
333 Bay Street – Suite 2400  
Bay Adelaide Centre, Box 20  
Toronto, ON M5H 2T6

**Aubrey E. Kauffman (LSUC#: 18829N)**  
**Dylan Chochla (LSUC#: 62137D)**

**Tel: 416 366 8381**  
**Fax: 416 364 7813**

**Solicitors for the Applicant, Starfield Resources Inc.**

038

Court File No. CV13-10034-00CL

IN THE MATTER OF THE BANKRUPTCY AND INSOLVENCY ACT, R.S.C. 1985, c. B-3, AS AMENDED

AND IN THE MATTER OF THE NOTICE OF INTENTION OF STARFIELD RESOURCES INC., OF THE CITY OF TORONTO IN  
THE PROVINCE OF ONTARIOMARCH 15-1315 March, 2013

No one appears to oppose the  
relief sought. In my view,  
the relief sought is appropriate,  
including the Administration Charge,  
as I do so charge and the court  
order to satisfy / have signed.

*D. H. H.*

ONTARIO

SUPERIOR COURT OF JUSTICE  
[COMMERCIAL LIST]

Proceedings commenced in Toronto

APPLICATION RECORD

FASKEN MARTINEAU DUMOULIN LLP  
333 Bay Street - Suite 2400  
Toronto ON M5H 2T6Stuart Brotman (LSUC#: 43430D)  
R. Graham Phoenix (LSUC #52650N)  
Tel: 416 366 8381  
Fax: 416 364 7813

Solicitors for the Applicant, Starfield Resources Inc.



TAB 3B

Court File No. CV13-10034-00CL

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
[COMMERCIAL LIST]**

THE HONOURABLE MR.

)

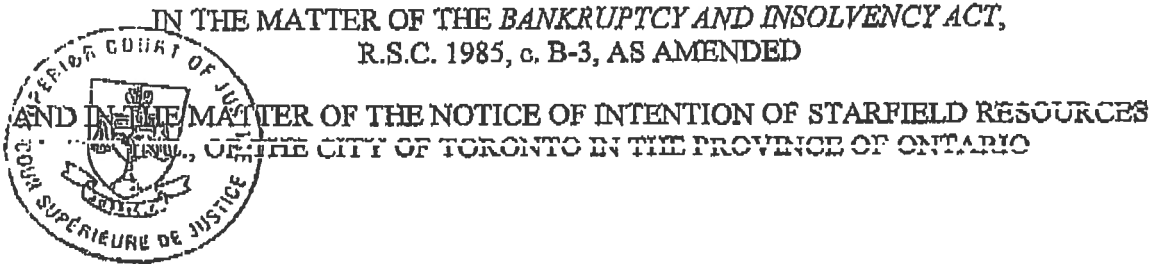
FRIDAY, THE 26th

)

JUSTICE CUMMING

)

DAY OF APRIL, 2013



**ORDER  
(Second Stay Extension)**

**THIS MOTION**, made by Starfield Resources Inc. (the "Debtor") pursuant to, *inter alia*, section 50.4(9) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the "BIA"), was heard this day at 330 University Avenue, Toronto, Ontario.

**ON READING** the affidavits of Philip S. Martin sworn April 24, 2013 and April 25, 2013, and the exhibits thereto, the Second Report of PricewaterhouseCoopers Inc., in its capacity as Proposal Trustee (the "Proposal Trustee") dated April 24, 2013 and the appendices thereto (the "Second Report"), and on hearing the submissions of counsel for the Debtor, the Proposal Trustee, and the directors of the Debtor, no one appearing for any other party although duly served as appears from the affidavit of service of Tasha Boyd sworn April 24, 2013, and on being advised that there are no secured creditors of the Debtor:



1. **THIS COURT ORDERS** that the time for service of the Notice of Motion and the Motion Record is hereby abridged and validated so that this Motion is properly returnable today and hereby dispenses with further service thereof.

2. **THIS COURT ORDERS** that, pursuant to subsection 50.4(9) of the BIA, the time within which a proposal must be filed with the Official Receiver under section 62(1) of the BIA be and is hereby extended to May 20, 2013.

3. **THIS COURT ORDERS** that the Second Report and the activities of the Proposal Trustee as described therein be and are hereby approved.

4. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States, to give effect to this Order and to assist the Debtor, 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 the Debtor and to the Proposal Trustee, as an officer of this Court, as may be necessary or desirable to give effect to this Order, to grant representative status to the Proposal Trustee in any foreign proceeding, or to assist the Debtor and the Proposal Trustee and their respective agents in carrying out the terms of this Order.

*April 26, 2013* *Robert A. Cumming J.*

ENTERED AT / INSCRIT A TORONTO  
ON / BOOK NO:  
LE / DANS LE REGISTRE NO.:



APR 26 2013

041

Court File No. CV13-10034-00CL

IN THE MATTER OF THE BANKRUPTCY AND INSOLVENCY ACT, R.S.C. 1985, c. B-3, AS AMENDED

AND IN THE MATTER OF THE NOTICE OF INTENTION OF STARFIELD RESOURCES INC., OF THE CITY OF TORONTO IN  
THE PROVINCE OF ONTARIO**ONTARIO**  
**SUPERIOR COURT OF JUSTICE**  
**[COMMERCIAL LIST]**

Proceedings commenced in Toronto

**ORDER**  
**(Second Stay Extension)****FASKEN MARTINEAU DU MOULIN LLP**  
333 Bay Street - Suite 2400  
Bay Adelaide Centre, Box 20  
Toronto, ON M5H 2T6**Stuart Brotman (LSUC#: 43430D)**  
**Dylan Chochla (LSUC#: 62137H)**

Tel: 416 366 8381

Fax: 416 364 7813

**Solicitors for the Debtor, Starfield Resources Inc.**

IN THE MATTER OF THE BANKRUPTCY AND INSOLVENCY ACT,  
R.S.C. 1985, c. B-3, AS AMENDED

AND IN THE MATTER OF THE NOTICE OF INTENTION OF STARFIELD RESOURCES INC., OF THE CITY OF TORONTO IN THE  
PROVINCE OF ONTARIO

Court File No. CV13-10034-00CL

*April 26-13*

*April 26, 2013*

*On basis of materials  
in Motion Record, no  
opposition, after submissions,  
Order signed, & issue.*

*Bar A. Cunningham J.*

ONTARIO

SUPERIOR COURT OF JUSTICE  
[COMMERCIAL LIST]

Proceeding commenced at TORONTO

MOTION RECORD  
(returnable April 26, 2013)

FASKEN MARTINEAU DU MOULIN LLP

333 Bay Street - Suite 2400  
Bay Adelaide Centre, Box 20  
Toronto, Ontario M5H 2T6

Stuart Brotman [LSUC No. 43430D]

Dylan Chochla [LSUC No. 62137H]

Tel: (416) 366 8381

Fax: (416) 364 7813

Solicitors for the Debtor, Starfield Resources Inc.



TAB 3C

**FIRST REPORT TO COURT  
SUBMITTED BY PRICEWATERHOUSECOOPERS INC.  
IN ITS CAPACITY AS TRUSTEE UNDER THE  
NOTICE OF INTENTION OF  
STARFIELD RESOURCES INC.**

**March 8, 2013**

044

Court File No. \_\_\_\_\_

**ONTARIO  
SUPERIOR COURT OF JUSTICE - COMMERCIAL LIST**

**IN THE MATTER OF THE PROPOSAL OF  
STARFIELD RESOURCES INC.**

**FIRST REPORT TO THE COURT  
SUBMITTED BY PRICEWATERHOUSECOOPERS INC.  
IN ITS CAPACITY AS TRUSTEE UNDER THE NOTICE OF INTENTION OF  
STARFIELD RESOURCES INC.**

**MARCH 8, 2013**

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- APPENDIX "A" – CERTIFICATE OF FILING ISSUED BY SUPERINTENDENT OF  
BANKRUPTCY
- APPENDIX "B" – STARFIELD RESOURCES INC. CORPORATE CHART
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- APPENDIX "D" – STARFIELD RESOURCES INC. CASH FLOW PROJECTION
- APPENDIX "E" – TRUSTEE'S REPORT ON CASH FLOW STATEMENT

## I. INTRODUCTION

1. This report ("**First Report**") is filed by PricewaterhouseCoopers Inc. ("**PwC**"), in its capacity as proposal trustee ("**Trustee**") in connection with the ~~Notice of Intention to Make a~~ Proposal ("**NOI**") filed by Starfield Resources Inc. ("**Starfield**" or the "**Company**") on March 7, 2013 (the "**Filing Date**") under Section 50.4 (1) of the Bankruptcy and Insolvency Act, R.S.C. 1985, c. B-3, as amended (the "**BIA**"). A copy of the Certificate of Filing issued by the Superintendent of Bankruptcy is attached hereto as ~~Appendix~~ "**A**".
2. PwC was previously retained by the Company to act as financial advisor to assist management in reviewing strategic alternatives to realize on the Company's assets and/or equity.

## II. PURPOSE OF REPORT

3. The purpose of this First Report is to:
  - a) Provide this Court with a summary of the following:
    - (i) background information on the Company, including its corporate history, structure, operations, financial position and creditors;
    - (ii) the Company's cash flow forecast for the 9-week period from March 4, 2013 to May 3, 2013;
    - (iii) the proposed court-ordered charges, including a Directors & Officers charge and an Administrative charge;
    - (iv) the Company's proposed post-filing strategy, including the outline of a sale process to be undertaken by the Trustee in conjunction with the Company;
    - (v) the Company's proposed retention payments (the "**Retention Payments**"); and
    - (vi) the Company's request for an extension of the time required to file its proposal (the "**Extension**") to April 26, 2013.
  - b) Recommend that this Court issue an order:
    - (i) approving the terms of the Administrative charge, and proposed priority ranking of such charge;
    - (ii) approving the terms of the Directors' & Officers' charge, and proposed priority ~~ranking of such charge;~~
    - (iii) approving the Company's post-filing strategy, and authorizing the Company and Trustee to implement same;



- (iv) approving the proposed Retention Payments;
- (v) approving the Company's request for an Extension to April 26, 2013.

### III. QUALIFICATIONS

- 4. In preparing this First Report, the Trustee has relied upon unaudited financial information, the Company's books and records, financial information prepared by the Company and discussions with management and legal counsel to the Company. The Trustee has not audited, reviewed, or otherwise attempted to verify the accuracy or completeness of the information. Future-oriented financial information relied upon in this First Report is based on management's assumptions regarding future events.
- 5. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian Dollars.

### IV. BACKGROUND

#### Corporate History and Structure

- 6. Starfield is a Canadian-based exploration and emerging early-stage development company exploring for copper, cobalt, nickel and platinum group elements ("PGE") in North America. The Company's shares are publicly traded on the Toronto Stock Exchange ("TSX") under the symbol "SRU" and in the U.S. on the Over-The-Counter Bulletin Board under the symbol "SRFDF".
- 7. Starfield was incorporated on April 22, 1994 under the Business Corporations Act (Alberta). The Company amended its articles on October 6, 1994 to change the Company's name to Starfield Communications Group Inc. The articles were amended again on December 18, 1997 to change its name to Starfield Resources Inc. On October 27, 2006, the Company filed articles of continuance in British Columbia. ~~The Company is governed by the Business Corporations Act (British Columbia) and is a reporting issuer in the provinces of British Columbia, Alberta and Ontario, and in the North West Territories.~~ Starfield's registered office is located at 625 Howe Street, Suite 420, Vancouver, British Columbia, and the Company's head office is located at 120 Adelaide Street West, Suite 900, Toronto, Ontario.
- 8. The Company currently holds a direct or indirect interest in the following mineral properties/projects (the "Projects"):
  - (i) a nickel-copper-cobalt-PGE project in Ferguson Lake, Nunavut (the "Ferguson Lake Project");

- (ii) a nickel-copper-cobalt-PGE project in Montana, USA (the "**Stillwater Project**");
  - (iii) a copper-silver project in California, USA (the "**Superior Project**"); and
  - (iv) an early stage gold property which straddles the Nevada-California border (the "**Dome Hill Project**").
9. Substantially all of the Ferguson Lake Project assets are held by Starfield directly. The Company acquired its interest in the above U.S. projects through its acquisition of all of the shares of Nevoro Inc. ("**Nevoro**"), a formerly TSX listed corporation incorporated under the laws of Canada, pursuant to a plan of arrangement in October 2009.
10. Starfield Resources Inc. is the parent company and the primary direct or indirect shareholder of the following entities:
- (i) Nevoro Inc. (Canada);
  - (ii) Sheffield Resources Ltd. (B.C.);
  - (iii) Aurora Platinum Exploration Inc. (B.C.);
  - (iv) Nevoro Copper Inc. (Nevada);
  - (v) Nevoro Montana Inc. (Montana); and
  - (vi) Nevoro Nevada Inc. (Nevada).

The Company's corporate chart is attached hereto as **Appendix "B"**.

11. The Trustee understands that the Company has not initiated insolvency proceedings in the U.S. There is presently no intention to commence insolvency proceedings in respect of the Company's Canadian or U.S. subsidiaries. The Company advises that substantially all administrative and Project-related costs are paid for by Starfield.

### **Company Operations**

12. As referenced above, Starfield's operations consist of three main projects:
- (i) the Ferguson Lake Project, located in the Kivalliq region of southern Nunavut, consists of 10 mineral leases covering 23,935 acres and 107 active claims totaling 220,273 acres. The Company incurred substantial exploration expenditures on the Ferguson Lake property in the last few years as it attempted to define this very large resource. On March 20, 2008, the Company announced positive economics from a preliminary economic assessment of the Ferguson Lake

Project. On February 21, 2012, the study was updated, and continued to show that the project was economically attractive. Per the preliminary economic assessment, the Ferguson Lake Project has indicated and inferred resource estimates of 672 million pounds of nickel, 1 billion pounds of copper and 57 million pounds of cobalt at grades of 0.66%, 1.00% and 0.06%, respectively.

(ii) the Stillwater Project, comprised of approximately 5,700 acres, is located in south central Montana and consists of 34 patented lode claims, 234 unpatented lode mining claims, 7 unpatented placer claims, 2 mill site claims and 1 tunnel claim. Starfield's interests in the Stillwater Project are held through Nevoro Montana Inc.

(iii) the Superior Project, totaling approximately 3,160 acres, is located in northeastern California and consists of 36 patented lode mining claims and 122 unpatented lode mining claims. Starfield's interests in the Superior Project are held through Nevoro Copper Inc.

13. The Trustee understands Starfield no longer intends to pursue the Dome Hill project and in May 2011, the Company entered into a 3 year option agreement with a U.S. gold company to sell its interest in the Dome Hill Project over a three year period for \$25,000. As at the date of this First Report, Starfield had received the first 2 payments of \$5,000 each pursuant to the option agreement with the final payment of \$15,000 due in June 2013. However, the Trustee understands that the U.S. gold company has the option to terminate this agreement at any time.

14. As referenced above, Starfield operates from a 2,150 square foot leased office facility in Toronto, Ontario. The Company also owns a semi-permanent exploration camp on the western shore of Ferguson Lake, Nunavut, capable of accommodating a team of up to 65 persons. There is also a 830 metre gravel airstrip adjacent to the exploration camp, as well as several pieces of construction and exploration equipment located on the camp site.

15. The Trustee understands that during 2012, Starfield had two full-time salaried employees. However, both individuals left the Company prior to January 1, 2013. In addition, the former CEO and CFO each left the Company on November 30, 2011 and March 23, 2012, respectively. As at the Filing Date, Starfield had four consultants under contract, including the present CEO and the CFO. All four consultants are being paid in the ordinary course.

### Flow-Through Share Structure

16. As is common among exploration and early stage resource development companies, Starfield does not yet generate revenues from operations and relies on the equity markets to finance its activities. As the public company in the corporate group, financing activities have historically been undertaken by the Company, with the proceeds from such financings used to fund the activities of the Company and its subsidiaries. Since approximately January 2012, the equity markets have effectively been closed to exploration and early stage development companies.
17. The Company's three most recent equity financings have been through the issuance of flow-through common shares. As at the date of this First Report, Starfield had approximately 718 million issued and outstanding common shares, of which approximately 229 million are flow-through common shares.
18. A flow-through share is a Canadian tax-based financing incentive that is available to, among others, the mining sector for qualified projects located in Canada. It is a type of share issued by a corporation to an investor, pursuant to a subscription agreement with the corporation, under which the issuing corporation agrees to incur eligible Canadian exploration expenses (the "CEE's") in an amount up to the consideration paid by the investor for the shares in a particular year. The corporation renounces to the taxpayer an amount in respect of the expenditures so that the CEEs are considered to be the investor's expenses for tax purposes. As a result of the corporation renouncing the expenses, the investor can deduct the expenses for tax purposes as if incurred directly.
19. Subject to certain conditions, the CEEs qualify for the "look-back" rule, which allows a corporation to renounce the CEEs incurred within an entire calendar year ("Year 1") with the renunciation being effective for tax purposes in the preceding calendar year ("Year 0"), the year the investor purchased the flow-through shares. Where a corporation has not expended all or part of the amounts it has renounced by the end of Year 1, the corporation must notify the investor of the shortfall within two months after the end of Year 1. The investor is vulnerable to having the deductions taken in calculating their Year 0 taxes being partially denied, income taxes being reassessed and any amount owing becoming immediately due. In an effort to protect investors from such adverse consequences, subscription agreements typically contain an indemnity in favour of the investor from the issuing corporation. Furthermore, the corporation is also subject to penalties and interest from Canada Revenue Agency ("CRA") for the shortfall to compensate CRA for accelerating the investor's deduction by one year.

20. In 2010, Starfield raised gross proceeds of approximately \$4.9 million from investors through two private placements of flow-through common shares (the "2010 Flow-Through Investors"). All of the proceeds were raised for exploration purposes and, therefore, the CEEs were renounced to investors in 2010. In February 2012, Starfield notified the 2010 Flow-Through Investors that the Company's expenditures in 2011 resulted in a shortfall of approximately \$969,000. As a result, the Company is subject to the provisions of the associated flow-through subscription agreement which the Company estimates has resulted in a contractual indemnity obligation to the 2010 Flow-Through Investors of approximately \$450,000. Starfield was also subject to penalties and interest from CRA of approximately \$60,000, although all these amounts were paid in 2012.

21. In May 2011, Starfield raised gross proceeds of approximately \$3.8 million from investors through the private placement of flow-through common shares (the "2011 Flow-Through Investors"). All of the proceeds were raised for exploration purposes and, therefore, the CEEs were renounced to investors in 2011. In December 2012, Starfield notified the 2011 Flow-Through Investors that the Company's expenditures in 2012 resulted in a shortfall of approximately \$2.9 million. As a result, the Company is subject to the provisions of the associated flow-through subscription agreement which the Company estimates has resulted in a contractual indemnity obligation to the 2011 Flow-Through Investors of approximately \$1.4 million. In addition, the Company is subject to penalties and interest from CRA of approximately \$320,000.

22. In summary, the Trustee understands that the Company has potential liabilities relating to Starfield's failure to incur adequate CEEs in connection with the issuance of its flow-through shares of approximately \$320,000 to CRA, \$450,000 to the 2010 Flow-Through Investors, and \$1.4 million to the 2011 Flow-Through Investors, as at the date of this First Report.

### Historical Financial Results

23. The Company's most recent year-to-date ("YTD") summarized financial statements are presented as at November 30, 2012. Set out below is a summary of the Company's financial results for: (i) the fiscal period ending 2010; (ii) the fiscal period ending 2011; (iii) the fiscal period ending 2012; and (iv) YTD November 30, 2012 (unaudited).

052

Starfield Resources Inc. Consolidated statement of income <sup>(1)</sup> (in \$000s CAD)				
	Nine months ended November 30, 2012	Year ended February 29, 2012	Year ended February 28, 2011	Year ended February 28, 2010
Expenses	\$ 1,932	\$ 6,641	\$ 5,956	\$ 2,075
Write-down of mineral properties	-	1,000	-	-
Amortization of equipment	30	57	79	110
Foreign exchange loss	-	-	27	-
Other expenses (income)	(5)	774	430	484
Loss before income taxes	\$ 1,957	\$ 8,475	\$ 6,492	\$ 2,669
Income tax expense	-	129	30	1,221
Net loss	\$ 1,957	\$ 8,604	\$ 6,522	\$ 3,890

(1) Fiscal 2010 is based on Canadian GAAP. Subsequent years were prepared in accordance with IFRS.

24. As none of Starfield's mineral properties are in production, the Company currently has no source of revenue. As detailed in the tables above, the Company had incurred significant recurring net losses over the past three fiscal years. Furthermore, the Company's net loss has increased each year since fiscal 2010. The Trustee understands that the majority of Starfield's expenses are related to exploration, maintenance and environmental remediation costs for the Ferguson Lake Project, claim maintenance fees related to the Projects, and limited exploration expenses related to the Stillwater Project.

25. Below is a summary of the Company's unaudited balance sheet as at November 30, 2012:

Starfield Resources Inc. Consolidated balance sheet as at November 30, 2012 (in \$000s CAD)			
ASSETS		LIABILITIES AND SHAREHOLDER'S EQUITY	
<b>Current Assets</b>		<b>Current Liabilities</b>	
Cash	\$ 876	Accounts payable and accrued liabilities	\$ 748
Accounts receivable	26	Income tax payable	29
Prepaid expenses and deposits	420	<b>Total Current Liabilities</b>	<b>\$ 777</b>
<b>Total Current Assets</b>	<b>\$ 1,322</b>		
		<b>Shareholders' Equity</b>	
Mineral properties	\$ 13,893	Share capital	155,155
Equipment	186	Contributed surplus	15,196
<b>Total Assets</b>	<b>\$ 15,401</b>	Warrants	2,772
		Retained earnings (deficit)	(158,499)
		<b>Total Shareholders' Equity</b>	<b>\$ 14,624</b>
		<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 15,401</b>

26. The November 30, 2012 balance sheet reflects that the Company has an accumulated retained earnings deficit of approximately \$158 million. The notes accompanying the Company's

November 30, 2012 financial statements state that the Company's operating budget indicates that the cash on hand at November 30, 2012 will be depleted by April 2013 if the Company continues as a going concern and does not obtain additional cash through financing and/or investing activities. Furthermore, the November 30, 2012 balance sheet does not reflect the Company's obligations in connection with the May 2011 flow-through share issuance, as detailed above.

27. As a result of the sustained losses and challenging financial markets, Starfield has exhausted its liquidity and has no ability to raise additional equity, which historically has been the primary source of capital for the Company, and as such, has elected to file a NOI and restructure the Company.

### Creditors

28. A copy of the creditor list included in the NOI filing is attached as **Appendix "C"**.
29. The Trustee understands that the Company does not have any secured creditors. The Company advises that all employee related amounts are current, all required remittances of employee withholdings and HST have been made when due, and the Company has no pension obligations whatsoever.
30. The Company estimates that it had total unsecured payables and accrued liabilities of approximately \$2.3 million as at March 6, 2013 (inclusive of the contractual indemnity claims of the 2010 Flow-Through Investors and the 2011 Flow-Through Investors). The following table summarizes the amounts owing to unsecured creditors:

Starfield Resources Inc. Estimated unsecured creditors as at March 6, 2013 (\$000)	
Trade payables	\$ 144
Accrued liabilities	1,857
Taxes payable	320
	<u>\$ 2,321</u>

31. In addition, the Company is a defendant in three litigation matters, as follows:

- (i) a claim by Discovery 2010 Flow-Through Limited Partnership seeking damages in the amount of \$114,569.00 plus interest and costs relating to the contractual indemnity contemplated in its 2010 Flow-Through Investors subscription agreement;

- (ii) a claim by Nicholson & Associates Natural Resource Development Inc. for alleged non-payment of invoices in the amount of \$146,123.83 plus interest and costs; and
- (iii) a confidential private arbitration relating to a historic joint venture.

Each of these litigation matters is ongoing and is subject to defences and counterclaims asserted, or to be asserted by Starfield. The parties to these matters have been served with the materials in support of the Company's application.

## V. COMPANY'S CASH FLOWS FOR PERIOD ENDING MAY 3, 2013

32. Starfield, with the assistance of the Trustee, has prepared consolidated cash flow projections of its receipts and disbursements for the 9-week period ending May 3, 2013 (the "Cash Flow Projection"). The Cash Flow Projection was filed with the Office of the Superintendent of Bankruptcy Canada on March 8, 2013. A copy of the Cash Flow Projection is attached hereto as **Appendix "D"**. The Trustee has reviewed the assumptions supporting the Cash Flow Projection and believes the assumptions to be reasonable. A copy of the Trustee's statement on the Cash Flow Projection is attached hereto as **Appendix "E"**.
33. As a result of its constrained liquidity position, the Company has suspended its exploration and development activities at the Projects. The Cash Flow Forecast assumes that the Company will continue to fund normal course obligations relating to the preservation and maintenance of the Projects in Canada and the U.S., such as claim maintenance fees and other required maintenance costs, during these BIA proceedings. The Trustee understands these costs were traditionally paid by Starfield through its Canadian accounts, and payment of these expenses going forward are necessary to preserve Starfield's interests in these properties during the proposed sales process.
34. As a result, based on the assumptions made by Starfield contained in the notes to the Cash Flow Projection, the Trustee believes that Starfield will have sufficient funds to meet its current obligations through to May 3, 2013.

## VI. PROPOSED SALES PROCESS

35. The Trustee understands that in June 2011, Starfield retained the services of Gryphon Partners Canada Inc. to assist the Company with raising additional capital, finding an investor to acquire control of the Company's outstanding shares, or a sale of all or substantially all of



the Company's assets. The Trustee understands that the Company did not receive any serious expressions of interest through that process.

36. In November 2012, the Company retained PwC to assist and advise the Company on strategic alternatives to maximize value of the Company and its assets, including but not limited to a sale of all or a material portion of the assets of Starfield. PwC, with the assistance of Starfield's management, undertook a sale and investment solicitation process ("SISP") in which it prepared an information memorandum detailing the sale or investment opportunity and canvassed over 125 potential buyers or investors beginning on November 20, 2012. Each prospect received a copy of the information memorandum and was solicited to sign a Confidentiality Agreement ("CA") and conduct further due diligence. A total of four confidentiality agreements were executed and two non-binding letters of interest ("LOIs") were received as at February 22, 2013. Neither of these LOIs has resulted in a binding offer as at the date of this First Report.
37. The Trustee believes that a brief continuation of the sale or investment solicitation process in these DIA proceedings will bring a sense of finality to the SISP and provide the highest likelihood of a transaction or series of transactions to maximize value for the Company's stakeholders. The Trustee proposes to aggressively re-market the Company's assets to third parties for an additional period of approximately 37 days as follows: 30 days for submission of a non-binding LOI and an additional 7 days for submission of a binding offer.
38. The proposed sales process (the "Sales Process") would provide a further means for testing the market, gauging interest in the Company and/or its assets and determining whether a transaction that would result in realizations greater than liquidation value is available. The Trustee will be fully involved in all aspects of the proposed Sales Process to ensure that the marketing process is fair and reasonable, and that prospective interested parties have the ability to make an offer for the Company and/or its assets. The proposed Sales Process contemplates that the Company is not required to accept the highest, best or any offer received.
39. The principal elements of the proposed Sales Process are as follows:
- (i) As soon as practical, after the Sales Process is approved by this Court, an information memorandum will be sent to a list of potentially interested parties by the Trustee, which list has been developed by the Trustee and the Company.
  - (ii) Once a confidentiality agreement has been signed by any interested parties, they will receive access to an electronic data room to conduct preliminary due

diligence. The electronic data room is being refreshed by the Company with assistance of the Trustee.

- (iii) After preliminary due diligence has been conducted, interested parties are required to submit non-binding LOIs to the Trustee by 12pm EST on April 12, 2013 (the "LOI Deadline"). A template agreement for a non-binding LOI will be available in the Company's electronic data room at least two weeks prior to the LOI Deadline.
- (iv) The acceptability of any LOI received is to be determined by the Company, in consultation with the Trustee.
- (v) If no satisfactory LOIs are received by the LOI Deadline, then the Company, in consultation with the Trustee, will consider whether to continue the Sales Process, and the Trustee will advise the Court accordingly.
- (vi) If satisfactory LOIs are received, a potential purchaser will be required to submit a binding asset purchase agreement ("APA") by 12PM EST on April 19, 2013. These APAs will then be reviewed by the Trustee and the Company.
- (vii) Management and the Trustee will provide their recommendation to Starfield's board of directors with respect to selecting offers to consummate a transaction, and the Trustee shall promptly notify all successful bidders.
- (viii) Once the terms and conditions of all recommended offers have been finalized, such offers will be submitted to this Court for approval. Closing of each transaction is anticipated to occur shortly thereafter.

40. The Trustee notes that while the proposed time-frame is condensed, the Trustee is of the view that the deadlines proposed in the Sales Process are reasonable given the Company's previous marketing efforts and its lack of liquidity.

41. The Trustee will report back to this Court if facts or circumstances require the Company or the Trustee to re-evaluate the time periods or the Sales Process based on facts or circumstances at that time. The Trustee will be assisted by PricewaterhouseCoopers Corporate Finance Group in the Sales Process.

## VII. SUMMARY OF PROPOSED COURT-ORDERED CHARGES

42. The Company proposes a charge in favour of its legal counsel, counsel to the directors of Starfield, the Trustee and the Trustee's legal counsel to assist in these NOI proceedings (the

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"Insolvency Professionals") in an amount not to exceed \$100,000, charging all of the assets of the Company as security for the professional fees and disbursements incurred both before and after the Filing Date (the "Administrative Charge"). The Trustee understands that the Company is current in the payment of the Insolvency Professionals' invoices and, subject to an accrual relating to the preparation of the Company's application and this First Report, there are no material amounts presently owing by the Company to the Insolvency Professionals.

43. Starfield was only able to provide the Insolvency Professionals with minimal retainer fees for their services as the Company needs its available cash to fund its limited operations during these proceedings. Depending upon the timing of cash receipts and disbursements, cash may not be available to pay ongoing professional fees on a timely basis and hence the reason the Administrative Charge is being sought.
44. The Company believes it is critical to the success of its restructuring to have such a charge in place to ensure that its Insolvency Professionals are protected with respect to their fees and disbursements.
45. The Company further proposes a charge to indemnify its directors and officers by way of a Directors' and Officers' Charge (the "D&O Charge"), for liabilities incurred by the Company that result in post-filing claims against the directors and officers in their personal capacities.
46. The Company does maintain an insurance policy for its directors and officers and that the premiums for such policy have been paid monthly and paid in respect of the current month.
47. The amount of the D&O Charge is capped at \$100,000 and was estimated by the Company's board of directors and its legal advisors by taking the provisions of the insurance policy for its directors and officers. The D&O Charge is proposed to rank immediately subsequent to the Administrative Charge as against all assets of the Company.
48. The board of directors and its legal counsel is not aware of any material directors' and officers' charges or potential liabilities; however, for the purpose of a filing, they believe the \$100,000 affords them some protection for issues that may arise. The Company's directors and officers shall only be entitled to the benefit of the D&O Charge to the extent that they do not have coverage under any directors' and officers' insurance policy, or to the extent that such coverage is insufficient to pay amounts indemnified.
49. Furthermore, the Trustee has been advised that due to the potential for personal liability, the directors and officers of the Company are unwilling to continue their services and involvement in this restructuring without the protection of a small D&O Charge. As the

Company will require the participation of its directors and officers to effect a successful restructuring, the Trustee believes that the D&O Charge is required and reasonable in the circumstances.

50. The Trustee is of the view that the proposed Administrative Charge and the proposed D&O Charge (together the "**Court-Ordered Charges**") and rankings are required and reasonable in the circumstances of the BIA proceedings, in order to preserve the Company's operations and attempt to maintain an enterprise value and, accordingly, supports the granting and the proposed priority ranking of the Court-Ordered Charges. The Trustee understands that the Company does not have any secured creditors (excluding any purchase money security interests, specific equipment lessors and statutory encumbrances) and, therefore, no secured creditor would be affected by the proposed Court-Ordered Charges. Furthermore, all known creditors of the Company, including the 2010 Flow-Through Investors and the 2011 Flow-Through Investors, have received notice of these proceedings.

## VIII. PROPOSED RETENTION PAYMENTS

51. The Company believes that incentives are required to ensure that the consultants Starfield currently has under contract, including the current CEO and the current CFO, are willing to continue their services with the Company in its current circumstances through to completion of the Sales Process.
52. The Company, in conjunction with the Trustee, has formulated and is seeking this Court's approval of the Retention Payments to the Company's four remaining consultants (the "**Key Employees**") in the aggregate amount of \$25,000 per month (the "**Aggregate Monthly Amount**") payable on the 15<sup>th</sup> of each month in respect of the current month, commencing March 15, 2013, on following terms:
- (i) the Aggregate Monthly Amount is to be distributed among the Key Employees in accordance with a memorandum of distribution to be approved by the board of directors of the Company, the Trustee and the Key Employees on or before the March 15, 2013;
  - (ii) to be entitled to receive his or her share of each Aggregate Monthly Amount a Key Employee must not have resigned or had his contract terminated for cause prior to the applicable payment date; and
  - (iii) Each Retention Payment is subject to the Company having sufficient available cash to pay the Aggregate Monthly Amount, and the Retention Payments shall

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cease upon the Company making or being deemed to have made an assignment in bankruptcy.

53. The Company believes that absent the approval of the Retention Payments in favour of the Key Employees, they are likely to seek other employment opportunities. The departure of any of the Key Employees would undermine Starfield's restructuring efforts and could have an adverse impact on the success of the Company's proposed Sales Process.
54. Starfield's Board of Directors have reviewed and approved the proposed Retention Payments and the terms and conditions thereof.
55. Based on the foregoing, the Trustee is of the view that the proposed Retention Payments appears to be appropriate and reasonable in the circumstances, in order to preserve the Company's operations and maintain some enterprise value and, accordingly, supports the Company's request for approval of the Retention Payments.

#### **IX. COMPANY'S REQUEST FOR AN EXTENSION**

56. The Company is seeking an extension to April 26, 2013 of the time to file a proposal to permit it and the Trustee to undertake the Sale Process described above. This represents a 20-day extension to the initial 30-day stay provided for in the BIA.
57. The Trustee supports the Company's request for an extension for the following reasons:
- (i) the Company is acting in good faith and with due diligence in taking steps to facilitate a sale of its operations;
  - (ii) it is the Trustee's view that an extension will not prejudice or adversely affect any group of creditors;
  - (iii) the Cash Flow Projection indicates that Starfield should have sufficient liquidity to continue to fund operations through the period ending April 26, 2013; and
  - (iv) at least 30 days will be required to establish whether there is any serious interest in acquiring the Company and/or its assets.
58. While it is too early to say whether a viable proposal will be presented by the Company to its creditors, the Trustee is of the view that the early request of the extension is appropriate given the circumstances, as it minimizes costs incurred in re-attending before this Court prior to April 7, 2013 solely for the purposes of seeking a short extension of the stay until the LOIs have been received and reviewed. Given that these LOIs are not due until April 12, 2012 (and the extension will have to be sought prior to that date), the current extension request more

properly reflects the timeframe by which the Trustee will be able to provide a meaningful update to this Court on the progress of the Sales Process.

## **X. RECOMMENDATION**

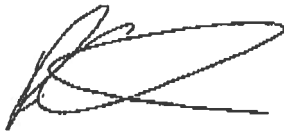
59. The Trustee recommends that this Court issue an Order approving the proposed Court-Ordered Charges, the proposed Sales Process to sell the Company or its assets, the proposed Retention Payments, and the Company's request for an Extension as this would be the best course of action available for all stakeholders for the following reasons:

- (i) the Company qualifies for and requires protection under the BIA due to its liquidity issues and precarious financial position;
- (ii) the proposed Court-Ordered Charges and rankings are required and reasonable in the circumstances of the BIA proceedings, in order to preserve the Company's operations and maintain an enterprise value;
- (iii) the retention of the Key Employees is critical to maintaining operations during these proceedings and the success of the proposed Sales Process; and
- (iv) the proposed Sales Process will preserve some value for the assets of Starfield, whereas, should bankruptcy ensue, an immediate liquidation of the Company would likely result in an immediate and substantial diminution in realizable value for all creditors.

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Dated the 8th day of March, 2013.

**RESPECTFULLY SUBMITTED,**



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**Paul van Eyk, CA-CIRP, CA-IFA**  
Senior Vice-President

PricewaterhouseCoopers Inc.  
In its capacity as Proposal Trustee of  
Starfield Resources Inc.  
and not in its personal capacity

TAB 3D



**SECOND REPORT TO COURT  
SUBMITTED BY PRICEWATERHOUSECOOPERS INC.  
IN ITS CAPACITY AS TRUSTEE UNDER THE  
NOTICE OF INTENTION OF  
STARFIELD RESOURCES INC.**

**April 24, 2013**

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Court File No. CV13-10034-00CL

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
[COMMERCIAL LIST]**

**IN THE MATTER OF THE BANKRUPTCY AND INSOLVENCY ACT,  
R.S.C. 1985, c. B-3, AS AMENDED**

**AND IN THE MATTER OF THE NOTICE OF INTENTION OF STARFIELD RESOURCES  
INC., OF THE CITY OF TORONTO IN THE PROVINCE OF ONTARIO**

**SECOND REPORT TO THE COURT  
SUBMITTED BY PRICEWATERHOUSECOOPERS INC.  
IN ITS CAPACITY AS TRUSTEE UNDER THE NOTICE OF INTENTION OF  
STARFIELD RESOURCES INC.**

**April 24, 2013**

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## APPENDICIES

APPENDIX "A" –	ORDER OF THE HONOURABLE MR. JUSTICE NEWBOULD DATED MARCH 15, 2013
APPENDIX "B" –	FIRST REPORT OF PRICEWATERHOUSECOOPERS INC. DATED MARCH 8, 2013
APPENDIX "C" –	STARFIELD RESOURCES INC. REVISED CASH FLOW PROJECTION
APPENDIX "D" –	LETTER OF INTENT RECEIVED FROM AN INTERESTED PARTY

## I. INTRODUCTION

1. This report (the **"Second Report"**) is filed by PricewaterhouseCoopers Inc. (**"PwC"**), in its capacity as proposal trustee (**"Trustee"**) in connection with the Notice of Intention to Make a Proposal (**"NOI"**) filed by Starfield Resources Inc. (**"Starfield"** or the **"Company"**) on March 7, 2013 (the **"Filing Date"**) under Section 50.4 (1) of the Bankruptcy and Insolvency Act, R.S.C. 1985, c. B.-3, as amended (the **"BIA"**).
2. On March 15, 2013, the Ontario Superior Court of Justice (Commercial List) (the **"Court"**) granted an order, *inter alia*, extending the stay of proceedings and the time for filing a proposal on the part of Starfield for a period of 20 days, up to and including April 26, 2013 (the **"March 15 Order"**). A copy of the March 15 Order is attached hereto as **Appendix "A"**.
3. To date, the Trustee has filed one report in respect of the Company's NOI. A copy of this report, dated March 8, 2013 (the **"First Report"**), which among other things, addressed the Company's request for an administrative charge and directors' & officers' indemnification and charge, and for approval of the proposed retention payments and the Company's post-filing strategy, including the proposed sales process to be carried out by the Trustee. A copy of the First Report, without appendices, is attached hereto as **Appendix "B"**.

## II. PURPOSE OF REPORT

4. The purpose of this Second Report is to:
  - a) Provide this Court with a summary of the following:
    - (i) Background on the activities of the Company since the First Report;
    - (ii) The Company's actual cash flows for the period from March 4, 2013 to April 19, 2013, including a comparison of actual to forecast results;
    - (iii) The results of the Court-approved sales process (the **"Sales Process"**);
    - (iv) The terms of the proposed Letter of Intent (the **"LOI"**) dated April 24, 2013 between the Company and an interested party (the **"Potential Purchaser"**) for the sale of Company's assets related to its Ferguson Lake, Nunavut project (the **"Ferguson Lake Project"**);
    - (v) The Company's request for an extension of the time required to file its proposal to May 20, 2013 (the **"Stay Extension"**); and
    - (vi) Report on the activities of the Trustee since the First Report

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b) Recommend that this Court issue an order:

- (i) Approving the Company's request for the Stay Extension; and
- (ii) Approving the activities of the Trustee as set out in this Second Report.

### III. QUALIFICATIONS

5. In preparing this Second Report, the Trustee has relied upon certain unaudited financial information of the Company, the Company's books and records, information obtained from personnel of the Company and other sources (collectively, the "Information").
6. In accordance with industry practice, except as described in this Second Report:
  - a) The Trustee has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would comply with Generally Accepted Assurance Standards pursuant to the Canadian Institute of Chartered Accountants Handbook;
  - b) The Trustee has not examined or reviewed financial forecasts and projections referred to in this report in a manner that would comply with the procedures described in the Canadian Institute of Chartered Accountants Handbook;
  - c) Future oriented financial information reported or relied on in preparing this Second Report is based on assumptions regarding future events. Actual results may vary from forecast, even if the assumptions materialize, and such variations may be material.
7. The Trustee has prepared this Second Report for the use of the Court in consideration of the motion described in the Notice of Motion dated April 24, 2013, filed by Fasken Martineau DuMoulin LLP, counsel to the Company. The Second Report should not be relied on by other parties.
8. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian Dollars.

### IV. BACKGROUND

#### Overview

9. The Trustee is of the view that the Company has provided the Trustee with its full co-operation and unrestricted access to its premise, books and records. The Trustee has been in communication with the Company in connection with the filing of its NOI, the monitoring of the Company's cash flows and variances to the Company's cash flow projection as filed with

the Office of the Superintendent of Bankruptcy Canada on March 7, 2013 (the "**Cash Flow Projection**").

10. Since the Filing Date, the Company has continued to manage its ~~minimal on-going operations~~ and has worked with the Trustee to advance the Sales Process.
11. In addition to the Sales Process discussed below, ~~the Company reached~~ a settlement with respect to the final \$15,000 payment due in June 2013 under its option agreement relating to an early stage gold property in Nevada (the "**Dome Hill Project**"). Payment in the settlement amount of \$7,000 is expected to be received during the week of April 29, 2013. As detailed in the First Report, Starfield no longer intends to pursue the Dome Hill Project and in May 2011, its U.S. subsidiary entered into an option agreement to sell its interest for \$25,000 payable over a three year period. As at the date of this Second Report, Starfield had received the first 2 payments of \$5,000 each pursuant to the option agreement. The Trustee understands that the U.S. gold company has the option to terminate this agreement at any time and as such is not contractually obligated to make the final payment in June 2012.
12. As of the date of this Second Report, the Trustee understands that each of the Company's four consultants (the "**Key Employees**") are all being paid in the ordinary course by the Company and that each received his or her share of the Court-approved retention payments (the "**Retention Payments**") on March 15, 2013 and April 15, 2013, respectively. The Trustee understands that all required Retention Payments under the Key Employee memorandum of distribution have been satisfied.

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## V. COMPANY'S CASH FLOWS FOR PERIOD FROM MARCH 4, 2013 TO APRIL 19, 2013

13. Set out below is a summary of the Company's actual cash flow as compared to the Cash Flow Projection for the seven week period ending April 19, 2013:

Starfield Resources Inc. Statement of Cash Flow - Comparison Actual to Forecast For the 7 week period ending April 19, 2013			
Week Ending (in CAD\$000s)	Actual Total	Budget Total	Fav/(Unfav) Variance
Cash balance - Opening	524.0	524.0	-
<b>Receipts</b>			
Proceeds from U.S. bank accounts	-	57.0	(57.0)
<b>Total Receipts</b>	-	57.0	(57.0)
<b>Disbursements</b>			
Maintenance Costs - U.S. mineral properties	4.7	47.2	42.5
Maintenance Costs - Ferguson Lake	-	0.6	0.6
Compensation	122.4	129.4	7.0
Rent & Utilities	25.8	25.8	-
Insurance	23.5	23.5	-
SG&A	(22.9)	31.3	54.2
Professional Fees	248.9	230.0	(18.9)
<b>Total Disbursements</b>	402.4	487.8	85.4
<b>Cash balance - Closing</b>	<b>121.6</b>	<b>93.2</b>	<b>28.4</b>

14. As detailed in the table above, the Company has achieved a net favourable cash flow variance of approximately \$28,400 as compared to forecast for the period from March 4, 2013 to April 19, 2013. The Company's actual net cash flow for the period was a net outflow of approximately \$402,400 as compared to a forecasted net outflow of approximately \$430,800.
15. The principal reasons for the favourable variance on net cash flow include:

- (i) Approximately \$54,200 SG&A - favourable variance due to lower than anticipated SG&A costs incurred to date and refunds of HST and corporate income taxes that were not forecasted;

- (ii) Approximately \$42,500 Maintenance Costs (U.S. mineral properties) - favourable variance related to the nickel-copper-cobalt-PGE project in Montana, USA (the "Stillwater Project") and copper-silver project in California, USA (the "Superior Project") due to lower than anticipated maintenance costs and unanticipated refund of state bonds;
- (iii) Approximately ~~\$57,000~~ Proceeds from U.S. bank accounts - unfavourable permanent variance with respect to certain escrow funds that the Company has determined it does not have ownership claims to; and
- (iv) Approximately \$18,900 Professional Fees - unfavourable variance related primarily to timing difference of invoices paid to date.

16. The Trustee is of the view that the Company is acting in a manner consistent with the Cash Flow Projection and as at the date of this Second Report, there have been no material adverse changes to the Company's operations since the Filing Date.

## VI. COMPANY'S CASH FLOWS FOR THE PERIOD ENDING MAY 20, 2013

17. Starfield, with the assistance of the Trustee, has prepared revised consolidated cash flow projections of its receipts and disbursements for the 4-week period ending May 20, 2013 (the "Revised Cash Flow Projection"). The Revised Cash Flow Projection was filed with the Office of the Superintendent of Bankruptcy Canada on April 24, 2013. A copy of the Revised Cash Flow Projection is attached hereto as Appendix "C". The Trustee has reviewed the assumptions supporting the Revised Cash Flow Projection and believes the assumptions to be reasonable.
18. The Revised Cash Flow Forecast assumes that the Company will continue to fund normal course obligations relating to the preservation and maintenance of its assets in Canada and the U.S. (held through subsidiary), such as claim maintenance fees and other required maintenance costs, during these BIA proceedings. The majority of the projected expenses during this period relate to compensation for the Key Employees, as well as rent and professional fees which are required to advance the Sales Process.
19. As a result, based on the assumptions made by Starfield contained in the notes to the Revised Cash Flow Projection, the Trustee believes that Starfield will have sufficient funds to meet its current obligations through to May 20, 2013.



## VII. SALES PROCESS

20. As detailed in the First Report, the Sales Process provided a means for testing the market, gauging interest in the Company and/or its assets and determining whether a transaction that would result in realizations greater than liquidation value was available. The Sales Process was approved by this Honourable Court in the March 15 Order. The Trustee has been fully involved in all aspects of the Sales Process to date. It's the Trustee's view that the Sales Process has been carried out in accordance with the First Report and the March 15 Order and has been fair and reasonable. Prospective interested parties were given a fair opportunity to make an offer for the Company and/or its assets.

21. A summary of the Sales Process and its results are as follows:

- (i) On March 15, 2013, the Trustee canvassed a total of 78 third parties to advise of the opportunity to acquire the assets and/or operations of the Company and all received copies of the information memorandum and were provided a confidentiality agreement ("CA"). Since that time, an additional 3 parties were contacted resulting in a total of 81 third parties contacted;
- (ii) The CA was required to be executed by interested parties in order to access the electronic data room. Of the 81 parties that were contacted, a total of 10 parties executed the CA, of which 4 were liquidators interested in the rolling stock assets (the "Rolling Stock") located at the Ferguson Lake Project camp site;
- (iii) Throughout the course of the Sales Process, the Trustee facilitated the due diligence of interested parties, including updating the electronic data room as new information became available;
- (iv) Interested parties were required to submit non-binding letters of intent to the Trustee by April 12, 2013 (the "LOI Deadline") and, in total, 3 LOIs were received. An additional LOI was received by the Potential Purchaser on April 15, 2013, after the LOI Deadline;
- (v) The Trustee, in consultation with the Company and its legal counsel, reviewed all of the LOIs received, including the offer received after the LOI Deadline, and concurred that the late offer received from the Potential Purchaser was the superior offer for substantially all of the assets relating to the Ferguson Lake Project. Two of the LOIs received were auction proposals from liquidators and the other LOI contained extended deadlines to make a binding offer and was from a party who would not sign a CA, performed limited due diligence and

failed to provide a deposit against the purchase price. The Company and Trustee believe there is significant execution risk with this aforementioned LOI.

- (vi) After negotiation/discussions with the Potential Purchaser, an LOI was submitted on the afternoon of April 24, 2013 (the **"Proposed Transaction"**) on terms acceptable to the Company. The LOI was subsequently approved by Starfield's board of directors and accepted by the Company. The total consideration offered by the Potential Purchaser was significantly higher than the net minimum guarantee provided by one of the liquidators and, as discussed below, included a \$100,000 deposit against the purchase price. Furthermore, the Potential Purchaser's LOI contained limited closing conditions and would allow for an expedited closing. As a result, the LOI from the Potential Purchaser was the only offer accepted; and
- (vii) As at the time of the Second Report there have been no offers received by the Company in relation to its U.S. assets including the Stillwater Project and Superior Project. The Company will continue to explore options relating to these assets.

## VIII. PROPOSED TRANSACTION

- 22. Attached hereto as **Appendix "D"** is a redacted copy of the LOI between the Company and the Potential Purchaser.
- 23. As detailed in the LOI, the Potential Purchaser will acquire all of the rights, titles and interests in and to all equipment, claims, leases and other assets and rights used or held for use in or in respect of the Ferguson Lake Project (the **"Purchased Assets"**), for the sum of \$800,000 plus applicable taxes (the **"Purchase Price"**).
- 24. The Company agrees to deal with the Potential Purchaser on an exclusive basis in regard to the Proposed Transaction, until the earlier of: May 15, 2013; the date on which the Potential Transaction is closed; and the date the Potential Purchaser indicates intent to terminate discussions with respect to the Proposed Transaction. This exclusivity relates only to the assets relating to the Company's Ferguson Lake Project.
- 25. Upon acceptance of the LOI the Potential Purchaser provided a \$100,000 deposit which is to be held in trust; \$50,000 becomes non-refundable upon the later of May 3, 2013 and the Prospective Purchaser obtaining comfort with respect to the assignability and transfer of certain property and mining leases. If comfort is not obtained by May 10, 2013 the entire deposit shall be refunded. If comfort is obtained but the transaction does not close by May

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15, 2013 (or such date as the respective parties may agree) the refundable portion of the deposit will be refunded to the Prospective Purchaser.

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26. The Purchase Price is inclusive of a \$100,000 holdback which will be held in trust and shall be applied to any costs, expenses or fees in excess of \$5,000 which are reasonably required in order to obtain renewal of the water use permit of which the Potential Purchaser becomes aware on or before May 31, 2013, after which these funds will be released to the Company.
27. The Prospective Purchaser's remaining due diligence is expected to be completed in an expedited manner and closing of this transaction is expected by March 15, 2013 (the "Closing"). The signed APA will be conditional on Court approval as required under the BIA.
28. As detailed in the Revised Cash Flow Projection, should the Company not complete the Proposed Transaction prior to May 20, 2013 and/or have access to the non-refundable deposit from the Potential Purchase; the Company will allow the stay period to expire without an extension or filing of a plan and be deemed bankrupt.

## **IX. COMPANY'S REQUEST FOR THE STAY EXTENSION**

29. The Company is seeking the Stay Extension to permit it and the Trustee to undertake the Proposed Transaction described above. If granted, the Stay Extension will represent a further 24-day extension to the stay of proceedings which, together with the first 20-day extension granted by the Court in the March 15 Order and the initial 30-day stay provided for in the BIA, will extend the stay period to 74 days from filing of the NOI.
30. The Trustee supports the Company's request for the Stay Extension for the following reasons:
- (i) The Company is acting in good faith and with due diligence in taking steps to facilitate a sale of its operations;
  - (ii) It is the Trustee's view that the Stay Extension will not prejudice or adversely affect any group of creditors;
  - (iii) The Revised Cash Flow Projection indicates that Starfield should have sufficient liquidity to continue to fund operations through the period ending May 20, 2013; and
  - (iv) ~~At least 24 days will be required to establish whether the Proposed Transaction~~ can close and deposits become non-refundable.
31. While it is too early to say whether a viable proposal will be presented by the Company to its creditors, the Trustee is of the view that the request for the Stay Extension is appropriate given the circumstances, as it minimizes costs incurred in re-attending before this Court prior

to the May 15, 2013 closing date in the Potential Purchaser's LOI solely for the purposes of seeking a short stay extension to complete the Proposed Transaction. The current Stay Extension request more properly reflects the timeframe by which the Trustee will be able to provide a meaningful update to this Court on the progress of the Proposed Transaction.

## X. ACTIVITIES OF THE TRUSTEE

32. The Trustee's activities since the filing of the First Report include:

- (i) Review of the Company's weekly cash flow results, and discussions with the Company on material variances to the Cash Flow Projection;
- (ii) Discussions and correspondence with Fasken Martineau DuMoulin LLP, counsel to the Company;
- (iii) Discussions and correspondence with Cassels Brock & Blackwell LLP, counsel to the Trustee;
- (iv) Review of relevant material provided by the Company for the Sales Process;
- (v) Refreshing and posting additional materials to the electronic data room as part of the Sales Process;
- (vi) Drafting of LOI, and other materials related to the Sales Process;
- (vii) Discussions with the Company and its counsel on the Sales Process and a review of the LOIs received;
- (viii) Discussions with numerous interested parties in relation to the Sales Process; and
- (ix) Discussions with numerous creditors and shareholders on the status of the proceedings.

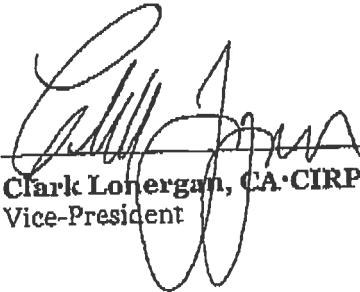
## XI. RECOMMENDATION

33. The Trustee recommends that this Court ~~issue an Order approving the Company's request for~~ the Stay Extension as this would be the best course of action available for all stakeholders as the Proposed Transaction will preserve some value for the assets of Starfield, whereas, should bankruptcy ensue, an immediate liquidation of the Company would likely result in an immediate and substantial diminution in realizable value for all creditors.

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Dated the 24th day of April, 2013.

**RESPECTFULLY SUBMITTED,**

  
Clark Lohergan, CA-CIRP  
Vice-President

PricewaterhouseCoopers Inc.  
In its capacity as Proposal Trustee of  
Starfield Resources Inc.  
and not in its personal capacity

TAB 3E

075

Starfield Resources Inc.  
Projected Statement of Cash Flow  
For the period ending June 7, 2013

	Notes	17-May	24-May	31-May	7-Jun	Total
Period Ending (in CAD\$000s)		50.6	14.5	17.6	5.6	50.6
Cash balance - Opening						100.0
Receipts	1	50.0	50.0	-	-	100.0
Deposits		50.0	50.0	-	-	100.0
Total Receipts					3.4	3.4
Disbursements	2	-	-	-	-	-
Maintenance Costs - U.S. mineral properties	3	-	-	(7.0)	-	8.1
Maintenance Costs - Ferguson Lake	4	8.1	7.0	12.9	-	12.9
Compensation	5	-	-	-	-	-
Rent & Utilities	6	-	-	(14.0)	0.8	(12.2)
Insurance	7	1.0	-	20.0	-	137.0
SG&A	8	77.0	40.0	-	-	-
Professional Fees		86.1	47.0	11.9	4.2	149.2
Total Disbursements		14.5	17.5	5.8	1.4	1.4
Cash balance - Closing						

Notes/Assumptions:

- \$50K of the deposit related to the Potential Purchaser's LOI is now non-refundable and has been included in the Company's cash flow. The remaining \$50K deposit is assumed to be made non-refundable during the week ended May 24, 2013 to coincide with the close of the Potential Purchaser's APA. Any further release of the purchase price due upon closing of the Ferguson Lake Project transaction will provide a permanent favourable variance to these cash flow projections. Please note the assumed professional fee estimates assume closing this transaction. Should this transaction not close then the corresponding professional fees will be reduced accordingly.
- Ongoing normal course expenses for Starfield's U.S. mining properties relating to claims maintenance, property leases, utilities, etc.
- Ongoing normal course expenses for the Ferguson Lake property.
- Represents a half month of compensation costs (50%) for contract staff, including the CFO.
- Represents the full month of rent of June and utilities costs for head office facility.
- O&O policy has been paid up to July 26, 2013.
- Represents general office and administrative costs, including excise tax refunds.
- Professional fees for Starfield's legal counsel, legal counsel to the Board of Directors, the proposal trustee and its legal counsel, and costs related to the proposed sales process.

This cash flow statement is prepared pursuant to the requirements of paragraphs 50(8)(b) and 50.4(2)(b) of the *Bankruptcy and Insolvency Act* and solely for that purpose.

Dated at Toronto, Ontario, this 14 day of May 2013.

Starfield Resources Inc.

P.S. Martin  
Name of Signing Officer

PRESIDENT & CEO  
Title of Signing Officer

This cash flow statement of Starfield Resources Inc. is prepared in accordance with paragraph 50.4(2) of the *Bankruptcy and Insolvency Act* and should be read in conjunction with the attached Notes to the Statement of Projected Cash-Flow and the Trustee's Report of the Cash-Flow Statement dated the 14 day of May 2013.

PricewaterhouseCoopers Inc., Trustee

Per:

Paul van Eyk, Senior Vice President

TAB 3F



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April 24, 2013

Starfield Resources Inc.  
Suite 900  
120 Adelaide Street West  
Toronto, Ontario  
M5H 1T1

Attention: President &amp; CEO

Dear Sirs:

This letter of intent ("Letter of Intent") is intended to set out certain binding agreements which shall form the basis for a definitive agreement of purchase and sale (the "Definitive Agreement") to be executed between [REDACTED] ("Purchaseco") and Starfield Resources Inc. ("Starfield") in respect to the acquisition by Purchaseco of a 100% ownership interest in the Ferguson Lake Project, currently owned by Starfield, by way of an asset purchase agreement (the "Transaction").

#### Terms of Transaction

1. Subject to the terms and condition below, Purchaseco will acquire all of the rights, titles and interests in and to all equipment, claims, leases and other assets and rights used or held for use in or in respect of the Ferguson Lake Project, for the sum of \$800,000 plus applicable taxes. There shall be a holdback of \$100,000 which shall be held in trust by legal counsel for Purchaseco and shall be applied to any costs, expenses or fees in excess of \$5,000 which are reasonably required in order to obtain renewal of the water use permit of which Purchaseco becomes aware on or before May 31, 2013, whereafter all or such remaining funds, as the case may be, shall be released to Starfield.
2. Purchaseco will have until May 15, 2013, to perform diligence and may terminate this Letter of Intent at any time during such due diligence period.
3. The Definitive Agreement will include all necessary and customary terms and conditions as are appropriate for a conveyancing of assets by way of vesting order under the Bankruptcy and Insolvency Act.

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Starfield agrees to deal exclusively with Purchaseco in regard to the Transaction until the earlier of (a) May 15, 2013, (b) the date upon which the Transaction is closed pursuant to the Definitive Agreement, and (c) the date, if any, upon which Purchaseco indicates its intent to terminate discussions with respect to the Transaction.

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Upon acceptance of this Letter of Intent, Purchaseco shall deposit the sum of \$100,000 (the "Deposit") to legal counsel with \$50,000 payable to counsel for Starfield in trust. The Non-Refundable Amount, and \$50,000 payable to counsel for Purchaseco, shall be non-refundable and Starfield at the later of (i) 12:01 am (Toronto time) on May 3, 2013, and (ii) such time as counsel for Purchaseco receives (a) written confirmation from counsel for Kivalliq Inuit Association ("KIA") of KIA's consent to an assignment to Purchaseco on closing of the Commercial Lease (KVC-005427 between KIA and Starfield dated as of July 23, 2007, as amended, which consent shall be in form acceptable to counsel for Purchaseco, acting reasonably, and (b) oral confirmation satisfactory to counsel for Purchaseco, acting reasonably, from the Office of the Nunavut Mining Recorder that it will record an assignment of Starfield's interest in the Ferguson Lake Project mining leases to Purchaseco upon presentation of a vesting order of the Ontario Court (Items (a) and (b) being the "Comfort"). For certainty and notwithstanding the foregoing, (i) if the Comfort is not obtained despite commercially reasonable efforts by Purchaseco, and (ii) May 10, 2013, the entire Deposit shall be refunded to Purchaseco before the Comfort is obtained, but the Transaction does not close for any reason on or before May 10, 2013 (or such later date as the parties may agree), the Non-Refundable Amount is fully earned and non-refundable to Purchaseco and the remaining \$50,000 of the Deposit shall be refunded to Purchaseco.

#### Expenses

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Notwithstanding any other provision herein and except as provided below, each of the parties hereto shall be responsible for their own costs and charges incurred with respect to the transactions contemplated herein, including, without limitation, all costs and charges incurred prior to the date of this Letter of Intent and all legal and accounting fees and disbursements relating to preparing the Definitive Agreement and related closing documents or otherwise relating to the transactions contemplated herein. It is agreed that Purchaseco shall fund the fees and travel expenses of Starfield's consultant to and from the site for purpose of a due diligence visit up to an aggregate of \$10,000 which amounts must be supported by appropriate invoices and receipts.



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**Confidentiality**

7. No disclosure or announcement, public or otherwise, in respect of this Letter of Intent or the transaction contemplated herein will be made by any party hereto or its representatives without the prior agreement of the other party, acting reasonably, as to timing, content and method, hereto provided that the obligations herein will not prevent any party from making after consultation with the other party, such disclosure as its counsel advises is required by applicable law or the rules and policies of any applicable stock exchanges or any other applicable regulator or securities commission, including for purposes of the proposal made by Starfield under the Bankruptcy and Insolvency Act (including to PricewaterhouseCoopers Inc. as proposal trustee and to the Ontario Court).

**Miscellaneous**

8. This Letter of Intent shall be governed in all respects, including validity, interpretation and effect, by the laws of the Province of Ontario and the laws of Canada applicable therein, without giving effect to the principles of conflicts of laws thereof and the undersigned hereby irrevocably attorn to the non-exclusive jurisdiction of the Courts of the Province of Ontario in respect of any matter arising hereunder or in connection herewith.
9. The Letter of Intent shall become effective as of the date of acceptance by Starfield as set forth on the signature page. The binding obligations of this Letter of Intent shall be binding upon, and will inure to the benefit of and be enforceable by the parties hereto and their respective successors and permitted assigns. No assignment of this Letter of Intent will be permitted without the consent of the other parties.
10. This Letter of Intent may be executed in counterparts and evidenced by a facsimile copy thereof or delivered by email in portable electronic format (PDF) or other electronic means and all such counterparts, facsimile or electronic counterparts shall constitute one document. Each party will do, execute, acknowledge and deliver or cause to be done, executed, acknowledged and delivered such further documents, assurances or things, and secure all necessary consents and authorizations as may be reasonably requested by any other party for the more complete and perfect observance and performances of the terms of the Letter of Intent.
11. This Letter of Intent constitutes the entire agreement between the parties with respect to the subject matter herein and supersedes all previous communications, representations, understandings and agreements, either oral or written, with respect to such subject matter. Nothing herein shall derogate or diminish or otherwise impair the rights and obligations of the parties to the Confidentiality Agreement.

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12. This Letter of Intent may be amended or modified only by a separate agreement in writing signed by each party.

We are excited about the prospects of this transaction and working together to conclude a mutually beneficial agreement. We look forward to hearing from you regarding our proposal.

If the terms of this Letter of Intent are acceptable, please communicate your acceptance by executing the duplicate copy hereof in the appropriate space below and returning such executed copy to us prior to 6:00 pm (Toronto time) on April 24, 2013 at the address set out above.

Yours truly,

[Redacted Signature]

Per [Redacted]  
Name: [Redacted]  
Title: [Redacted]

Accepted and agreed as of this 24<sup>th</sup> day of April, 2013

STARFIELD RESOURCES INC.

Per [Signature]  
Name: [Redacted]  
Title: [Redacted]

IN THE MATTER OF THE *BANKRUPTCY AND INSOLVENCY ACT*,  
R.S.C. 1985, c. B-3, AS AMENDED

AND IN THE MATTER OF THE NOTICE OF INTENTION OF STARFIELD RESOURCES INC., OF THE CITY OF TORONTO IN THE  
PROVINCE OF ONTARIO

Court File No. CV13-10034-00CL

ONTARIO  
SUPERIOR COURT OF JUSTICE  
[COMMERCIAL LIST]

Proceeding commenced at TORONTO

MOTION RECORD  
(returnable May 16, 2013)

FASKEN MARTINEAU DU MOULIN LLP  
333 Bay Street – Suite 2400  
Bay Adelaide Centre, Box 20  
Toronto, Ontario M5H 2T6

Stuart Brotman [LSUC No. 43430D]  
Dylan Chochla [LSUC No. 62137I]  
Tel: (416) 366 8381  
Fax: (416) 364 7813

Solicitors for the Debtor, Starfield Resources Inc.



## NORTHERN EMPLOYEE BENEFITS SERVICES



### **IMPORTANT REMINDER**

To: All NEBS Participating Employers

There is **still time to cast your ballots for the election of Directors** to serve on the Northern Employee Benefits Services Board.

The **deadline for receipt of ballots has been moved to May 21<sup>st</sup> at 5:00 p.m. Yellowknife time** as the original May 20<sup>th</sup> deadline is a holiday. You can **submit your ballots by fax or as a PDF file.**

**FAX #: 867-873-5801**

**EMAIL ADDRESS: [maureen@nebsnorth.com](mailto:maureen@nebsnorth.com)**

You also have time to register for participation in the **Annual General Meeting scheduled for May 30<sup>th</sup>**. Registration information and participation forms were sent to all Participating Employers in April. If you are not able to directly participate, please consider assigning your vote by proxy to one of the people listed on the form. You can fax your participation form to the above number.

**Please contact the NEBS office at 867-873-4965 if you have any questions.**

Dennis Adams  
Chief Executive Officer  
Northern Employee Benefits Services