



Gordon Brown #1  
Sworn: December 12, 2019

No. S1910538  
Vancouver Registry

**IN THE SUPREME COURT OF BRITISH COLUMBIA**

BETWEEN:

HER MAJESTY THE QUEEN IN RIGHT OF THE PROVINCE OF  
BRITISH COLUMBIA.

PETITIONER

AND:

QUINSAM COAL CORPORATION, BARCLAYS CANADA  
LEASING CORPORATION, BARCLAYS BANK OF CANADA,  
ENCECO, INC. and GORD KNIGHT VENTURES LTD.

RESPONDENTS

**AFFIDAVIT**

I, **GORDON BROWN**, of Suite 430 – 505 Burrard Street, Vancouver, British Columbia,  
MAKE OATH AND SAY AS FOLLOWS:

1. I am a Chartered Professional Accountant and Licensed Insolvency Trustee with The Bowra Group Inc., the Court-appointed Receiver and Manager of Quinsam Coal Corporation (the "**Receiver**"), am authorized to make this affidavit on behalf of Receiver, and have personal knowledge of the facts and matters hereinafter deposed to save and except where the same are stated to be made upon information and belief and where so stated I verily believe them to be true.
2. All capitalized terms used in this affidavit, where defined in the Notice of Application, are used as defined in the Notice of Application.
3. Quinsam Coal Corporation ("**Quinsam**") operates the Quinsam coal mine located in Campbell River, B.C. The Quinsam coal mine (the "**Mine**") consists of the Quinsam coal mine

site (the "**Mine Site**") and Middle Point coal loading terminal ("**Middle Point**"). Quinsam has operated the Mine since 1988.

4. In 2016 the Mine was put into care and maintenance due to weak market demand for thermal coal. In 2017 Quinsam was acquired by new ownership and operations restarted at the Mine.

5. After restarting operations, Quinsam experienced operational issues and cost overruns resulting in higher than anticipated productions cost, reduced profitability and liquidity issues.

6. Quinsam was unable to find additional sources of financing or capital to continue operations and ceased operations at the mine in June 2019.

7. On July 3, 2019, Quinsam made an assignment into bankruptcy and PricewaterhouseCoopers Inc. was appointment as the Trustee (the "**Trustee**").

8. On July 5, 2019, the Trustee informed Her Majesty the Queen in right of the Province of British Columbia (the "**Province**"), that there were insufficient funds available to administer the estate, and that the Mine would likely be abandoned.

9. On July 31, 2019, the Trustee abandoned the Mine Site. The Trustee remained in possession and control of Middle Point.

10. The Province determined immediate action is necessary for the safety, protection and mitigation of damage to people and the environment affected by the Mine Site.

11. On August 1, 2019, The Province engaged The Bowra Group Inc. as a contractor (the "**Contractor**") to perform care and maintenance of the Mine Site. The Contractor did not have any authority or control over Middle Point.

12. On September 20, 2019, the Trustee abandoned its interest in Middle Point.

13. On September 20, 2019, the Contractor, with the authority of the province, had its care and maintenance role expanded to include Middle Point, pending its official appointment as Receiver.

14. On application by the Province on September 20, 2019, Mr. Justice Bowden of the Supreme Court of British Columbia, made an order on September 26, 2019, which, inter alia, appointed Bowra Group Inc. as the Receiver of all the assets, undertakings and property of Quinsam (the "**Receivership Order**").

15. Under the terms of the Receivership Order, the Receiver is empowered, to the extent authorized and approved by the Province to, among other things, carry on the operation and maintenance of the Mine and sell the property of Quinsam.

16. Since its appointment the main activities of the Receiver are as follows:

- (a) Performing ongoing care and maintenance at the Mine Site to protect and mitigate damage to land and watercourses affected by the Mine Site while ensuring public safety, including the health and safety of workers at the Mine Site.
- (b) Holding discussions and entering into an occupancy agreement with the Middle Point landlord to allow the Receiver access and use of Middle Point facility.
- (c) Performing ongoing care and maintenance at Middle Point to protect and mitigate damage to land and watercourses affected by Middle Point, protect and preserve assets of Quinsam located at Middle Point and ensure public safety.
- (d) Performing necessary activities to deliver the coal inventory pursuant to the sales contract with Javelin Global Commodities (UK) Ltd that was executed prior to the date of bankruptcy.

17. The Receiver developed the proposed Sale Procedure for the marketing and sale of the assets, undertakings and property of Quinsam in order to maximize the realization from such a sale.

18. The Receiver will negotiate and execute an Asset Purchase Agreement as part of the Sale Procedure, the terms of which are subject to approval of the Court in the order sought in this application and the granting of a vesting order.

19. The assets, undertakings and property of Quinsam primarily consists of Quinsam's right, title and interest in the following:

- (a) Real property located in and around Campbell River, B.C.;
- (b) Mine and environmental permits;
- (c) Mineral and exploration rights and licenses;
- (d) Contracts and other options, agreements, and licenses;
- (e) Property, plant, and equipment; and
- (f) Intellectual property.

20. Under the Sale Procedure the Receiver intends to enter into an Asset Purchase Agreement for the sale of substantially all of the assets of Quinsam to the successful bidder, subject to Court approval. The form of Asset Purchase Agreement provided to interested parties will be substantially in the form attached to the Notice of Application as Schedule "B".

21. Also under the terms of the Asset Purchase Agreement, the purchase is on an "as is, where is" basis with no representations or warranties given by the Receiver with regard to the property of Quinsam.

22. In order to solicit bids for the property of Quinsam the Receiver proposes a marketing plan, as outlined in the Sale Procedure, which includes the following:

- (a) preparing a teaser document (the "**Teaser**") that outlines the Property for sale, includes this Sale Procedure and invites parties to satisfy the Participant Requirements to gain access to the Due Diligence Materials;
- (b) sending the Teaser to a list of potential interested parties based on the Receiver's research as soon as practicable after the Sale Procedure is approved by the Court;
- (c) posting an advertisement in the Globe and Mail or similar national newspaper as soon as practicable and advisable after January 1, 2020, inviting parties to participate in the Sale Procedure;
- (d) arranging site visits for interested parties, as required; and

- (e) responding as appropriate at any time prior to the Bid Deadline to various questions and queries from interested parties, Participants and Qualified Bidders with the assistance of the Receiver's consultants.

23. The bidding under the Sales Procedure is proposed to proceed as follows:

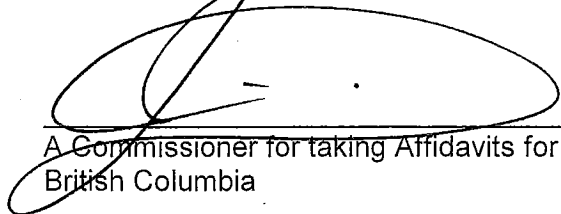
- (a) a bid deadline of April 1, 2020, or as extended by the Receiver on notice (the "Bid Deadline") for qualified bidders to submit a bid;
- (b) interested parties may submit qualifications to become a qualified bidder at any time prior to the Bid Deadline;
- (c) In the event that the Receiver receives no qualified bid by February 14, 2020, the Receiver may terminate the Sales Procedure and post notice of the termination on the Receiver's Website.
- (d) The Receiver will determine the successful bidder as soon as is practicable after the Bid Deadline, and will notify the successful bidder and post notification of the successful bidder on the Receiver's website.
- (e) The Receiver will seek Court approval of the successful bid as soon as is practicable following the selection of the successful bid.

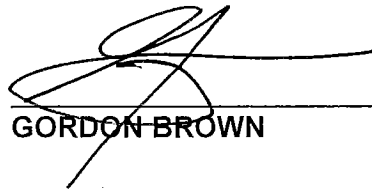
24. Quinsam and its business activities at the Mine have a direct beneficial impact on the community of Campbell River, B.C. in terms of direct and ancillary employment, and economic benefit.

25. A sales process producing a successful bidder may provide a better recovery than a liquidation and will potentially provide for additional benefits to the community of Campbell River, B.C.

26. Based on the above, the Receiver respectfully recommends that the Court approve the sales procedure, and grant the order sought.

SWORN BEFORE ME at Vancouver, BC,  
on the 12 day of December, 2019.

  
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A Commissioner for taking Affidavits for  
British Columbia

  
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GORDON BROWN

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RESPONDENTS

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**AFFIDAVIT**

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