

IN THE MATTER OF THE SECURITIES LEGISLATION OF
BRITISH COLUMBIA, SASKATCHEWAN, MANITOBA, ONTARIO,
NEW BRUNSWICK, NOVA SCOTIA, NEWFOUNDLAND
AND NORTHWEST TERRITORIES

AND

IN THE MATTER OF THE MUTUAL RELIANCE REVIEW SYSTEM
FOR EXEMPTIVE RELIEF APPLICATIONS

AND

IN THE MATTER OF
ROYAL OAK MINES INC.

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in each of British Columbia, Saskatchewan, Manitoba, Ontario, New Brunswick, Nova Scotia, Newfoundland and the Northwest Territories (the "Jurisdictions") has received an application from Royal Oak Mines Inc. (the "Filer") for a decision under the securities legislation of the Jurisdictions (the "Legislation") that the dealer registration requirement and prospectus requirement contained in the Legislation (respectively, the "Registration Requirement" and the "Prospectus Requirement") shall not apply to certain trades by the Filer of non-voting shares (the "Non-voting Shares") to the unsecured creditors of the Filer resident in the Jurisdictions (the "Unsecured Creditors") pursuant to a proposal (the "Proposal") made under the *Bankruptcy and Insolvency Act* (Canada) (the "BIA");

AND WHEREAS under the Mutual Reliance Review System for Exemptive Relief Applications (the "System"), the Ontario Securities Commission is the principal regulator for this Application;

AND WHEREAS the Filer has represented to the Decision Makers that:

Royal Oak Mines Inc.

1. The Filer is a corporation that was incorporated under the *Business Corporations Act* (Ontario) (the "OBCA") on July 23, 1991, and is a reporting issuer or the equivalent thereof in each of the provinces and territories of Canada.
2. The share capital of the Filer consists of an unlimited number of common shares (the "Common Shares") and special shares ("Special Shares"), of which there are approximately 163 million Common Shares outstanding and no Special Shares outstanding.
3. The common shares of a predecessor to the Filer, which merged to become the Filer on July 23, 1991 were originally listed on The Toronto Stock Exchange on September 4, 1987. On April 16, 1999 The Toronto Stock Exchange suspended trading of the Common Shares.

4. The securities of the Filer were subject to cease trade orders (the "Cease Trade Orders") in the provinces of Ontario, British Columbia, Alberta, Manitoba and Quebec (the "Cease Traded Jurisdictions") for failing to file interim financial statements during the course of the CCAA and BIA proceedings described below.

CCAA and BIA Proceedings

5. On February 15, 1999, the Filer acknowledged its insolvency and submitted an application under the *Companies' Creditors' Arrangement Act* (Canada) (the "CCAA") seeking an opportunity to present a plan of compromise or arrangement to its creditors. Its application was granted and the Ontario Superior Court of Justice granted an Initial Order under the CCAA on February 15, 1999.

6. In compliance with the CCAA, the Initial Order appointed PricewaterhouseCoopers Inc. ("PwC") as Monitor.

7. Following the Initial Order, the Filer continued mining operations and continued capital expenditure programs which included the construction of its tailings dam in accordance with the requirements of the British Columbia government. It prepared cash-flow forecasts which were reviewed by PwC and which were the subject of PwC's reports to the Court. PwC also reported to the Court and to the Filer's creditors concerning the Filer's financial performance on a receipts and disbursements basis.

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

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

10. As interim receiver, PwC submitted its marketing plan to the Court for approval, which approval was granted on May 3, 1999.

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

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

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

14. By order dated November 22, 1999, the Court authorized PwC to file the Proposal on behalf of the Filer. As noted above, the Proposal was filed in accordance with the BIA on December 3, 1999, accepted by all classes of creditors at meetings held on December 14, 1999 and approved by the Court, on notice to all creditors and shareholders, on January 4, 2000. PwC was appointed Trustee under the Proposal.

15. Prior to approval of the Proposal by the Court, registered shareholders and creditors of the Filer received the Trustee's report which contained near prospectus level disclosure regarding the Filer and the Proposal.

The Proposal

16. Under the terms of the Proposal, the capital structure, assets and liabilities of the Filer will be completely restructured. The Proposal allows for the compromise or satisfaction of claims of the Filer's creditors, permits the Filer to continue as a going concern with the Kemess Mine as the Filer's principal asset and allows for the possibility of new business to be introduced to the Filer in the future.

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

- (a) the sale of a royalty interest in the Kemess Mine to Northgate Resources Limited ("Northgate"), or its nominee, equal to 95% of the net cash flow of the Kemess Mine and subject to the transfer and conversion rights contained in a Royalty Agreement;
- (b) the transfer of all remaining assets of the Filer, other than the Kemess Mine, or relating to the Kemess Mine, to a wholly-owned subsidiary which assets are to be sold and the proceeds distributed to certain creditors; and
- (c) the satisfaction or assumption of outstanding indebtedness of the Filer through the distribution of a portion of the purchase price for the royalty and the issuance of Common Shares and Non-voting Shares.

18. With respect to paragraph 16(c), the implementation of the Proposal requires the following distributions of securities of the Filer take place:

- (a) Trilon Financial Corporation ("Trilon"), a secured creditor of the Filer, will receive Common Shares representing 48.5% and Non-voting Shares such that

Trilon's equity interest will total 67% of the restructured Filer in exchange for a release of \$15 million of indebtedness;

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

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

19. The total number of Non-voting Shares to be issued to Unsecured Creditors resident in each Jurisdiction will not exceed 1% of the equity interest in the Filer in each Jurisdiction following the reorganization.

20. All of the distributions contemplated by the Proposal have been approved by the Court under the BIA and will be effected through a reorganization under section 186 of the OBCA to be effected on February 11, 2000.

21. Prior to the reorganization the Common Shares were consolidated on a 100 for 1 basis resulting in existing shareholders holding 51.5% of the voting shares of the restructured Filer representing a 1% equity interest.

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

23. No exemption from the Registration Requirement and Prospectus Requirement is available to permit the trades in the Non-voting Shares to the Unsecured Creditors pursuant to the Proposal.

24. All of the Unsecured Creditors are at arm's length to the Filer.

25. The exemption requested herein is similar to the exemption available under the Legislation for the distributions under the Proposal to secured creditors and all other security holders of the Filer, except that the Unsecured Creditors are not holders of securities of the Filer.

26. Notwithstanding this Decision, the distributions of Non-voting Shares under the Proposal to Unsecured Creditors resident in the Cease Traded Jurisdictions will not be permitted until an order has been granted under the applicable Legislation by the securities regulatory authority in such Cease Traded Jurisdiction which revokes or partially revokes the Cease Trade Order to permit such distributions.

AND WHEREAS under the System this MRRS Decision Document evidences the decision of each Decision Maker (collectively, the "Decision");

AND WHEREAS each of the Decision Makers is satisfied that the test contained in the Legislation that provides the Decision Maker with the jurisdiction to make the Decision has been met;

The Decision of the Decision Makers under the Legislation is that:

1. The Registration Requirement and Prospectus Requirement shall not apply to any trade in Non-voting Shares of the Filer to Unsecured Creditors, provided that the Filer provides to each of the Unsecured Creditors a copy of this decision document together with a statement that as a consequence of this decision document, certain protections, rights and remedies provided by the Legislation, including statutory rights of rescission or damages, will not be available in respect of the Non-voting Shares issued to Unsecured Creditors pursuant to this decision document.

2. The first trade of Non-voting Shares is a distribution under the Legislation in which the trade takes place (the "Applicable Legislation"), unless:

(a) at the time of such trade the Filer is a reporting issuer under the Applicable Legislation and has been a reporting issuer for the 12 months immediately preceding such trade;

(b) such first trade is not a trade from the holdings of any person or company holding a sufficient number of securities to affect materially the control of the Filer, but any holding of any person, company or combination of persons or companies holding more than 20% of the outstanding voting securities of the Filer shall, in the absence of evidence to the contrary, be deemed to affect materially the control of the Filer under the Applicable Legislation;

(c) if the seller is in a "special relationship" with the Filer, as that term is defined in the Applicable Legislation, the seller has reasonable grounds to believe that the Filer is not in default of any requirement under the Applicable Legislation;

(d) no unusual effort is made to prepare the market or create a demand for the Non-voting Shares; and

(e) no extraordinary commission or other consideration is paid in respect of the trade.

DATED at Toronto, Ontario this 29th day of February, 2000.

"J.A. Geller"

"Robert W. Davis"

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - relief from registration and prospectus requirements in connection with issuance of non-voting shares to unsecured creditors

pursuant to a proposal under the *Bankruptcy and Insolvency Act* (Canada) - first trades deemed a distribution unless company a reporting issuer for 12 months and certain other conditions met.

Applicable Ontario Statutory Provisions

Securities Act, R.S.O. 1990, c.S.5, as am. ss. 25, 53, 72(5), and 74(1).

Business Corporations Act, R.S.O. 1990, c. B.16 as am. ss. 186.