



Raymond Chabot Inc.

An affiliate of
Raymond Chabot Grant Thornton LLP

CANADA
DISTRICT OF QUÉBEC
DIVISION NO.: 01-MONTRÉAL
COURT NO.: 500-11-056550-193
OFFICE NO.: 139398-011
IN THE MATTER OF THE PLAN OF
ARRANGEMENT OR COMPROMISE OF:

SUPERIOR COURT
Commercial Division
(*Companies' Creditors Arrangement Act*,
R.S.C., c. C-36, as amended)

NORTH AMERICAN LITHIUM INC.,
Legal person incorporated under the laws of Québec, having
its head office at 2400-1010 Sherbrooke Street West, in the
city of Montreal, in the province of Québec, H4T 1S3.

Hereinafter referred to as "NAL"

-and-

RAYMOND CHABOT INC.,
Benoit Fontaine, CPA, CA, CIRP, LIT

Hereinafter referred to as the "Monitor"

**SIXTH REPORT TO THE COURT SUBMITTED BY THE
MONITOR ON NAL'S BUSINESS AND FINANCIAL AFFAIRS**

PREAMBLE

To one of the Honourable judges of the Superior Court, sitting in commercial division, in and for the judicial district of Montreal, we respectfully submit our sixth report on NAL's business and financial affairs as part of the filing of a request for an order to extend the stay period and request additional interim financing.

Signed in Montreal, on March 9, 2020

RAYMOND CHABOT INC.
Monitor

Benoit Fontaine, CPA, CA, CIRP, LIT

1. INTRODUCTION

- 1.1 On May 28, 2019, an Initial Order under the *Companies' Creditors Arrangement Act* (hereinafter, "CCAA") was granted at the request of NAL. Since, the stay period was extended four times.
- 1.2 The previous extension was obtained on January 31, 2020, extending the stay period until March 13, 2020 and authorizing an additional \$1 million Interim Financing (for a total of \$7 million).
- 1.3 Given the reports already issued by the Monitor, this sixth report discusses:
 - Section 2: Steps undertaken since the September 12, 2019 SISP order;
 - Section 3: The Sale and Investor Solicitation Process ("SISP");
 - Section 4: Changes in cash position;
 - Section 5: Cash flow projections;
 - Section 6: Additional Interim financing;
 - Section 7: Extension sought and recommendations.
- 1.4 This report should be read in conjunction with our previous reports.

2. STEPS UNDERTAKEN SINCE THE SEPTEMBER 12, 2019 SISP ORDER

2.1 NAL

- 2.1.1 Care and maintenance, i.e. maintenance and repair work for production equipment as well as for the plant, to preserve its value;
- 2.1.2 Continuity of certain contracts promoting the resumption of operations. Minor drilling activities were maintained and have now ceased;
- 2.1.3 Compliance with environmental requirements;
- 2.1.4 Meetings and discussions with creditors and suppliers;
- 2.1.5 Actively participated in the SISP:
 - Gathering information and documentation to be uploaded in the Monitor's virtual data room;
 - Meetings, discussions and site visits with potential investors;
- 2.1.6 Weekly reporting on cash-flow, i.e. changes in cash position.

2.2 Monitor:

- 2.2.1 Had discussions with NAL, Investissement Québec ("IQ"), Jien International Investment Ltd. ("JiIL") and Contemporary Amperex Technology Canada Limited ("CATL") representatives and legal counsel regarding the SISP, changes in cash position, cash-flow projections, interim financing draws, additional interim financing, etc.;

- 2.2.2 Obtained information produced by NAL related to operations and cash flow;
- 2.2.3 Assisted NAL with the preparation of its cash flow projections;
- 2.2.4 Implemented the SISP, which included, among others, the following steps:
 - 2.2.4.1 For the period from September 16 to October 7, 2019, preparation of the following documents:
 - A listing of prospective purchasers and investors ("Prospective Bidders") in collaboration with shareholders and secured creditors;
 - A Teaser Letter summarizing the potential acquisition / investment opportunity;
 - A data room;
 - A Confidentiality Agreement and a Written Acknowledgement (confirming receipt of the SISP approval Order and of the SISP Procedures);
 - A Template Purchase Agreement (to be used by Prospective Bidders);
 - A process letter summarizing the SISP.
 - 2.2.4.2 For the period from October 14, 2019 to January 31, 2020:
 - Solicitation among the Prospective Bidders (138 Teaser Letters were distributed to strategic and financial Prospective Bidders);
 - Qualification of Prospective Bidders. i.e. Review of information/requirements to be qualified as a qualified bidder;
 - Assisting Qualified Bidders with their due diligence. i.e. answering questions and providing additional information;
 - Meetings, discussions and site visits with potential investors;
 - Extension of the bid deadline to February 21, 2020.
 - 2.2.4.3 For the period from February 1, 2020 to this date:
 - Continuation of due diligence process by Qualified Bidders;
 - Receipt of Qualified Bids;
 - Opening and review of the bids by the Monitor;
 - Request for clarifications from bidders on their respective bids;
 - Submission of the bids to secured creditors (IQ and CATL) for their review and consideration.

3. SALE AND INVESTOR SOLICITATION PROCESS ("SISP")

- 3.1 As authorized by the court on September 12, 2019, a SISP is currently being carried out by the Monitor, with the assistance of NAL's management, employees and legal advisers.
- 3.2 As mentioned in our fifth report to the Court, in a view to maximize the chances of success of the SISP, on January 15, 2020, the Monitor, in accordance with subsections 1.5, 7.1 and 9.8 of the

court approved Procedures of the SISP, extended the Bid Deadline (as defined in the SISP Procedures) from January 21, 2020 to **February 21, 2020, at no later than 2:00 p.m.**

- 3.3 On February 21, 2020, following the bid deadline, the Monitor opened the submitted bids and prepared a summary of the bids received.
- 3.4 Following the review of the bids by the Monitor, it appears that all the bids contemplate an assumption or conversion of the debts of either one or both of NAL's secured creditors (IQ/CATL). In these circumstances, the Monitor has submitted the bids to the secured creditors for their review and consideration and is currently still waiting to receive their respective positions.
- 3.5 Consequently, until such time as the Monitor receives the position of each of the secured creditors with respect to the bids, the Monitor cannot make the determination pursuant to paragraph 9.4 of the SISP Procedures, i.e. apply the bid criteria to determine whether it will be in the best interests of NAL's stakeholders to pursue a transaction on the terms set out in the bids.
- 3.6 On March 5, the Monitor advised all bidders that it indefinitely extended the time period at paragraph 9.4 of the SISP Procedures. The Monitor also requested that all bidders agree to extend the expiration date of their bids to April 10, 2020.
- 3.7 In a view to maximize the chances of success of the SISP, NAL is seeking an extension of the stay of proceedings until May 15, 2020, in order to, among other things:
 - 3.7.1 Continue reviewing the bids;
 - 3.7.2 Allow IQ and CATL time to discuss/negotiate with bidders;
 - 3.7.3 Obtain IQ's and CATL's respective positions on the submitted bids;
 - 3.7.4 Acceptance of one or more bids, if any;
 - 3.7.5 Review of restructuring options, including a draft plan of compromise based on the bids submitted;
 - 3.7.6 Preparation and hearing before the court of a motion to move forward in accordance with the SISP, if the case may be, and the results in respect thereof. Potential successful bids would be submitted before the court by the Monitor for assessment.

4. CHANGES IN CASH POSITION

- 4.1 In accordance with the CCAA, we monitored the business and financial affairs of NAL and obtained all the necessary collaboration.
- 4.2 The table below shows a comparison of actual and projected changes in cash position for the 6-week period ended February 29, 2020 (since the previous Order) as well as actual cash position for the 40-week period ended February 29, 2020 (since the Initial Order).

North American Lithium Inc.

Actual vs Revised Forecast for the 6-Week period ended February 29, 2020

(Unaudited)

(In thousands of \$)	6-Week period ended February 29, 2020			40-Week period ended
	Actual	Forecast	Variance	February 29, 2020
Receipts				
Accounts receivable	-	-	-	7
Interim Financing	1 000	1 000	-	5 500
Insurance premium reimbursements	88	87	1	486
GST/QST reimbursement	-	-	-	655
QST reimbursement	-	-	-	894
	1 088	1 087	1	7 542
Disbursements				
Salaries and social benefits	490	516	26	5 366
Utilities	21	58	37	598
Insurance	139	299	160	2 109
Drilling and excavation costs	-	-	-	800
Maintenance, gas and other operation costs	237	411	174	2 129
Legal and monitor fees	51	230	179	584
	939	1 513	574	11 586
Increase (decrease) of cash	149	(426)	575	(4 044)
Cash (beginning)	1 198	1 198	-	5 392
Cash (end)	1 348	772	575	1 348
Less: GIC	(209)	(209)	-	(209)
Available cash	1 139	563	575	1 139

4.3 Main variances can be explained as follows:

- 4.3.1 Salaries and Benefits: Labor costs were lower than budgeted due to a timing variance, i.e. Deductions at source paid on a monthly basis;
- 4.3.2 Utilities: lower energy requirements.
- 4.3.3 Insurance: Timing variance;
- 4.3.4 Maintenance, gas and other operation costs: Operation costs were lower than budgeted, i.e. overestimated operational costs.
- 4.3.5 Legal and monitor fees: Professional fees were lower than budgeted;

- 4.3.6 GIC: On September 9th, via letter, the Ministère des Transport du Québec confirmed the release of an amount of \$584,000 that was pledged for roadwork around NAL's mining site. This amount was received by NAL during the week ended October 12, 2019.

5. CASH FLOW PROJECTIONS

- 5.1 NAL prepared a weekly cash flow for the 11-week period ending on May 16, 2020 (see Appendix I).
- 5.2 These projections were prepared based on assumptions reflecting the general direction that NAL management shall be taking given the financial and economic conditions which, in the opinion of management, are most likely to occur.

Our compilation was limited to presenting, in the form of a projected cash flow statement, information provided by management and evaluating the support for the assumptions or other information underlying the projections.

Given that these projections are based on assumptions regarding future events, actual results will vary from the information presented and the variances may be material.

- 5.3 The projections consider the plant shutdown and are based on specific assumptions:
- 5.3.1 Interim financing: Based on cash-flow requirements and total availability of the interim financing (including the additional \$1 million requested in this report);
 - 5.3.2 Salaries and social benefits: Based on 30 full-time employees to ensure maintenance of facilities;
 - 5.3.3 Property and other insurance: As per insurance policy;
 - 5.3.4 Maintenance and other operations costs: Includes clean-up and maintenance, snow removal, water treatment, plant process optimization, plant winterization, IT related expenses, CATL management fees, etc.;
 - 5.3.5 Professional fees: Include amounts payable as at February 29, 2020 and going forward;
 - 5.3.6 No capital or interest payments on IQ's/CATL's loans and interim financing.
- 5.4 On March 6, 2020, based on the above-mentioned cash-flow projections, IQ advised the Monitor it would increase its Interim Financing facility by an additional amount of \$1 million (for a total of \$8 million) to support NAL's additional cash-flow requirements until May 15, 2020, hence covering the sought extension period.
- 5.5 The Interim Financing of \$8 million, which \$1 million is subject to the authorization of the Court, should be enough to cover conservatory measures and other expenses until the end of the additional stay period requested in this report, i.e. May 15, 2020.

6. ADDITIONAL INTERIM FINANCING

- 6.1 As mentioned in the previous section of this report, IQ advised the Monitor that it would increase its Interim Financing facility by an additional amount of \$1 million to support NAL's cash-flow requirements until May 15, 2020, under the same terms and conditions as its original interim financing.
- 6.2 In view of the cash flow projections, NAL requires Additional Interim Financing for, among other things:
- 6.2.1 conservatory measures,
 - 6.2.2 the continuation of the SISP, and
 - 6.2.3 other restructuring activities.
- 6.3 Considering, the following, among other things:
- 6.3.1 Secured creditors affected by the security or charge under the proposed interim financing support such financing;
 - 6.3.2 NAL's business and financial affairs will still be managed properly, with the assistance of the Monitor to assist with and supervise operations;
 - 6.3.3 The loan will enhance the prospect of a viable compromise being made for the benefit of the creditors and the nature and value of NAL's property would be maintained;
 - 6.3.4 The additional interim financing will enable NAL to cover conservatory expenses to maintain the value of NAL's property;
 - 6.3.5 Finally, no unsecured creditor will be materially prejudiced as a result of the security or charge requested.
- 6.4 The Monitor is of the opinion that stakeholders will benefit from the granting of the Additional Interim Financing.

7. EXTENSION SOUGHT AND RECOMMENDATIONS

- 7.1 Considering, the following, among other things:
- 7.1.1 As mentioned in the Monitor's previous reports, the bankruptcy of NAL would have negative consequences for all stakeholders (employees, subcontractors, secured and unsecured creditors, shareholders, Ministry of Energy and Natural Resources, etc.);
 - 7.1.2 Subject to the court's approval of the Additional Interim Financing, NAL would have sufficient funds until May 15, 2020;
 - 7.1.3 NAL, CATL and IQ agreed on the Additional Interim Financing, the continuation of the SISP and the related procedures (including the modified timetable);

7.1.4 Stakeholders will not be prejudiced by the requested extension of the stay.

7.2 The Monitor is of the opinion that stakeholders will benefit from the following:

7.2.1 The granting of the Additional Interim Financing;

7.2.2 The extension and continuity of the SISP;

7.2.3 The additional stay period requested until May 15, 2020 for NAL to complete its SISP and/or to continue to carry out its restructuring plan.

APPENDIX I

North American Lithium Inc.

Cash flow projections for the period ending May 16, 2020

(Unaudited)

(In thousands of \$) - Week ending :	Week 1		Week 2		Week 3		Week 4		Week 5		Week 6		Week 7		Week 8		Week 9		Week 10		Week 11		Total	
	Budget	Mar. 7	Budget	Mar. 14	Budget	Mar. 21	Budget	Mar. 28	Budget	Apr. 4	Budget	Apr. 11	Budget	Apr. 18	Budget	Apr. 25	Budget	May 2	Budget	May 9	Budget	May 16		Budget
Receipts																								
Accounts receivable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	7
Interim financing	-	-	-	-	-	1 500	-	-	-	-	-	-	-	-	-	-	-	1 000	-	-	-	-	-	5 500
Insurance reimbursements	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	486
Sales taxes reimbursements	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1 549
	-	-	-	-	-	1 500	-	-	-	-	-	-	-	-	-	-	-	1 000	-	-	-	-	-	7 542
Disbursements																								
Salaries and social benefits	88	100	64	100	88	100	100	100	64	88	100	100	64	64	100	100	64	64	124	64	124	64	64	5 386
Utilities	58	-	23	-	58	-	-	-	23	58	-	-	23	23	-	-	-	58	-	-	-	17	17	598
Insurance	149	-	-	149	-	-	-	-	-	-	-	-	-	-	149	-	-	-	-	-	-	-	-	2 109
Maintenance and other operation costs	141	60	81	78	127	68	70	70	70	127	68	68	70	70	70	30	30	30	96	96	96	96	96	2 872
Professional fees	50	25	50	37	25	50	25	25	25	25	50	50	25	25	25	25	25	37	25	25	25	25	25	3 789
Other provision	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	584
	496	195	228	374	308	228	374	374	192	308	228	228	192	192	355	355	198	198	255	255	255	212	212	11 586
Increase (decrease) of cash	(496)	(195)	1 272	(374)	(308)	(228)	(374)	(374)	(192)	(308)	(228)	(228)	(192)	(192)	(355)	(355)	802	802	(255)	(255)	(212)	(212)	(212)	(4 044)
Cash (beginning)	1 348	852	656	1 928	1 554	1 246	1 928	1 928	1 019	1 554	1 246	1 246	1 019	1 019	827	827	472	472	1 274	1 274	1 020	1 020	1 020	5 392
Cash (end)	852	656	1 928	1 554	1 246	1 019	1 554	1 554	827	1 246	1 019	1 019	827	827	472	472	1 274	1 274	1 020	1 020	808	808	808	1 348
GIC	(209)	(209)	(209)	(209)	(209)	(209)	(209)	(209)	(209)	(209)	(209)	(209)	(209)	(209)	(209)	(209)	(209)	(209)	(209)	(209)	(209)	(209)	(209)	(209)
Available cash	643	447	1 719	1 345	1 037	810	1 345	1 345	618	1 037	810	810	618	618	263	263	1 065	1 065	811	811	599	599	599	1 139

40-Week period ended Feb. 28, 2020	Actual	Total
7	7	7
5 500	5 500	8 000
486	486	486
1 549	1 549	1 549
7 542	7 542	10 042
5 386	5 386	6 322
598	598	834
2 109	2 109	2 557
2 872	2 872	3 789
584	584	957
57	57	167
11 586	11 586	14 626
(4 044)	(4 044)	(4 584)
5 392	5 392	5 392
1 348	1 348	808
(209)	(209)	(209)
1 139	1 139	599