

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"

**THIRTEENTH 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 thirteenth report on NAL's business and financial affairs as part of the filing of a request for an order to extend the stay period.

Signed in Montreal, on January 19, 2021

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 eleven times.
- 1.2 The previous extension was obtained on October 30, 2020, extending the stay period until January 22, 2021.
- 1.3 Given the reports already issued by the Monitor, this thirteenth report discusses:
 - Section 2: Steps undertaken since the October 30, 2020 order;
 - Section 3: The Sale and Investor Solicitation Process;
 - Section 4: Changes in cash position;
 - Section 5: Cash flow projections;
 - Section 6: Extension sought and recommendations.
- 1.4 This report should be read in conjunction with our previous reports.

2. STEPS UNDERTAKEN SINCE THE OCTOBER 30, 2020 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 Continued certain contracts that would promote the resumption of operations;
- 2.1.3 Compliance with environmental requirements;
- 2.1.4 Discussions with creditors and suppliers;
- 2.1.5 Actively participated in the Relunched SISP:
 - Gathering information and documentation to be uploaded in the Monitor's virtual data room;
 - Virtual meetings and discussions 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") and Contemporary Amperex Technology Canada Limited ("CATL") representatives and legal counsel regarding the SISP, the Relunched SISP, changes in cash position, cash-flow projections, interim financing draws, additional interim financing, etc.;

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- 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 Relaunch SISP, which included, among others, the following steps:
- 2.2.4.1 For the period from November 1 to November 10, 2020, preparation of the following documents:
- A listing of prospective purchasers and investors (“Prospective Bidders”) to be invited in the Relaunch SISP, i.e. all parties that have expressed interest in the SISP and executed a confidentiality agreement.
 - A process letter summarizing the Relaunch SISP.
- 2.2.4.2 For the period from November 11 to date:
- Solicitating Prospective Bidders;
 - Assisting Qualified Bidders with their due diligence. i.e. answering questions and providing additional information;
 - Meetings and discussions with potential investors;
 - Updating the data room;
 - Receipt of Qualified Bids;
 - Opening and review of the bids by the Monitor;
 - Preparing a bid summary document;
 - Requesting clarifications from bidders on their respective bids;
 - Submitting 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 previous reports to the Court, on February 21, 2020, following the bid deadline, the Monitor opened the submitted bids and prepared a summary of the bids received. 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 had submitted the bids to the secured creditors for their review and consideration and awaited to receive their respective positions.
- 3.3 Until such time as the Monitor received the position of each of the secured creditors with respect to the bids, the Monitor could not 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.

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- 3.4 Consequently, the Monitor advised all bidders, on numerous occasions since March 5, 2020, that it indefinitely extended the time period at paragraph 9.4 of the SISP Procedures. The Monitor also requested, on numerous occasions since March 5, 2020, that all bidders renew their bids. The latest request was made on September 23, 2020 whereas the Monitor requested that all bidders renew their bids and set the expiration date of their bids to October 31, 2020.
- 3.5 On September 23, 2020, the Monitor received certain unsolicited revised bids.
- 3.6 In this context, following discussions with the secured creditors, in order to avoid any ambiguity and in the spirit of providing all interested parties with an equal opportunity to submit a bid or a revised bid, the Monitor has decided, in accordance with Sections 1.5, 9.8 and 13.2 of the SISP Procedures, to reject all existing bids and to provide all parties that have expressed interest in the SISP and executed a confidentiality agreement with an ultimate and limited opportunity to confirm, submit, revise and/or improve a bid. (the "Relaunched SISP").
- 3.7 The Bid Deadline of the Relaunched SISP, as agreed with the main stakeholders, namely IQ and CATL, was set to **January 15, 2021 at 5:00 p.m.**
- 3.8 On January 15, 2021, following the bid deadline, the Monitor:
- 3.8.1 Opened the submitted bids;
 - 3.8.2 Shared a copy of the submitted bids with NAL, IQ and CATL;
 - 3.8.3 Began its review of the bids.
- 3.9 In a view to maximize the chances of success of the SISP, NAL is seeking an extension of the stay of proceedings until March 26, 2021, in order to, among other things:
- 3.9.1 Continue reviewing the bids and obtain clarifications;
 - 3.9.2 Seek clarifications in respect of the bids;
 - 3.9.3 Allow the Monitor, IQ and CATL time to discuss with bidders;
 - 3.9.4 Obtain IQ's and CATL's respective positions on the submitted bids;
 - 3.9.5 Acceptance of one or more bids, if any;
 - 3.9.6 Review of restructuring options, including a draft plan of compromise based on the bids submitted;
 - 3.9.7 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 12-week period ended January 9, 2021 (since the previous Order) as well as actual cash position for the 85-week period ended January 9, 2021 (since the Initial Order).

(In thousands of \$)	12-Week period ended January 9, 2021			85-Week period ended January 9, 2021
	Actual	Forecast	Variance	Actual
Receipts				
Accounts receivable			-	7
Interim Financing	1 000	1 500	(500)	8 500
Insurance premium reimbursements	-	-	-	486
GST/QST reimbursement	15	16	(1)	2 358
Other	76	-	76	146
	1 091	1 516	(425)	11 497
Disbursements				
Salaries and social benefits	450	475	26	7 302
Utilities	117	173	56	912
Insurance	190	340	150	2 972
Drilling and excavation costs	-	-	-	800
Maintenance, gas and other operation costs	328	289	(39)	3 396
Property taxes	25	33	8	25
Legal and monitor fees	104	144	40	953
	1 213	1 453	240	16 360
Increase (decrease) of cash	(122)	63	(184)	(4 863)
Cash (beginning)	650	650	-	5 391
Cash (end)	528	712	(184)	528
Less: GIC	-	(209)	209	-
Less : Monitor's Trust Account	(76)	-	(76)	(76)
Available cash	451	503	25	451

- 4.3 Main variances can be explained as follows:

- 4.3.1 Interim Financing: Based on cash-flow requirements.
- 4.3.2 Other receipts: Foreign exchange gain from the conversion of a USD deposit made by a Qualified Bidder into CAD. The gain from this conversion is held, in trust, by the Monitor.
- 4.3.3 Utilities: lower than budgeted due to a timing variance.
- 4.3.4 Insurance: temporary timing variance.
- 4.3.5 Maintenance, gas and other operation costs: Operation costs were higher than budgeted, i.e. underestimated operational costs and timing variance.

- 4.3.6 GIC: On November 30, 2020, the Ministère des Transport du Québec released the amount of \$209,000 that was pledged for roadwork around NAL's mining site.

5. CASH FLOW PROJECTIONS

- 5.1 NAL prepared a cash flow for the period ending on March 26, 2021 (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.
 - 5.3.2 Insurance reimbursements: Based on a settlement letter issued by NAL's insurance broker. It was agreed between NAL, IQ and CATL that these proceeds would be held by the Monitor in his trust account.
 - 5.3.3 Salaries, vacations and social benefits: Based on 16 full-time employees to ensure maintenance of facilities.
 - 5.3.4 Utilities: based on historical consumption.
 - 5.3.5 Property and other insurance: As per insurance policies terms and conditions.
 - 5.3.6 Maintenance and other operations costs: Includes clean-up and maintenance, water treatment, IT related expenses, CATL management fees, etc.
 - 5.3.7 Property taxes: Based on an agreement with the city of La Corne.
 - 5.3.8 Professional fees: Based on recent historical fees and considering work required to pursue the Relunched SISP.
 - 5.3.9 No capital or interest payments on IQ's/CATL's loans and interim financing.
 - 5.3.10 Monitor's Trust Account: The Monitor holds the proceeds of a foreign exchange gain and the proceeds of an insurance claim in his trust account, on behalf of NAL. Based on the cash-flow requirements, an amount of \$250,000 will have to be released by the Monitor to NAL during the week ending March 13, 2021.

- 5.4 The Interim Financing of \$9.5 million should be enough to cover conservatory measures and other expenses until the end of the additional stay period requested in this report, i.e. March 26, 2021.

6. EXTENSION SOUGHT AND RECOMMENDATIONS

- 6.1 Considering, the following, among other things:

- 6.1.1 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.);
- 6.1.2 NAL would have sufficient funds until March 26, 2021;
- 6.1.3 NAL, CATL and IQ have agreed on the continuation of the SISP and the related procedures, including the Relunched SISP to allow, among others, the steps described at paragraph 3.9 of this report.
- 6.1.4 Stakeholders will not be prejudiced by the requested extension of the stay.

- 6.2 The Monitor is of the opinion that stakeholders may benefit from the following:

- 6.2.1 The extension and continuity of the Relunched SISP;
- 6.2.2 The additional stay period requested until March 26, 2021 for NAL to complete its Relunched SISP and/or to continue to carry out its restructuring plan.

APPENDIX I

North American Lithium Inc.

Cash flow projections for the period ending March 27, 2021

(Unaudited)

(In thousands of \$) - Week ending :	2021-01-16	2021-01-23	2021-01-30	2021-02-06	2021-02-13	2021-02-20	2021-02-27	2021-03-06	2021-03-13	2021-03-20	2021-03-27	Total	85-Week period ended January 9, 2021	Total
	<i>Budget</i>	<i>Budget</i>	<i>Budget</i>	<i>Budget</i>	<i>Budget</i>	<i>Budget</i>	<i>Budget</i>	<i>Budget</i>	<i>Budget</i>	<i>Budget</i>	<i>Budget</i>	<i>Budget</i>	Actual	
Receipts														
Accounts receivable	-	-	-	-	-	-	-	-	-	-	-	-	7	7
Interim financing	-	500	-	-	-	500	-	-	-	-	-	1 000	8 500	9 500
Insurance reimbursements	-	286	-	-	-	-	-	-	-	-	-	286	486	772
Sales taxes reimbursements	-	10	-	-	-	6	-	-	-	6	-	22	2 358	2 380
Other	-	-	-	-	-	-	-	-	-	-	-	-	146	146
	-	796	-	-	-	506	-	-	-	6	-	1 308	11 497	12 805
Disbursements														
Salaries and social benefits	52	28	52	28	52	28	52	28	52	28	52	452	7 302	7 754
Utilities	38	8	-	9	29	8	-	-	29	8	-	129	912	1 040
Insurance	-	74	95	-	-	-	-	-	-	-	-	169	2 972	3 141
Maintenance and other operation costs	90	18	20	19	40	26	135	101	48	46	20	564	4 196	4 760
Property taxes	-	-	-	25	-	-	-	175	-	-	-	200	25	225
Professional fees	15	25	50	30	20	20	5	5	5	5	5	185	953	1 138
Other / provision	-	-	2	-	-	-	2	-	-	-	-	4	-	4
	195	153	219	112	141	82	194	309	134	87	77	1 703	16 360	18 063
Increase (decrease) of cash	(195)	643	(219)	(112)	(141)	424	(194)	(309)	(134)	(81)	(77)	(395)	(4 863)	(5 258)
Cash (beginning)	528	333	976	757	645	505	928	735	426	292	210	528	5 391	5 391
Cash (end)	333	976	757	645	505	928	735	426	292	210	133	133	528	133
Less : Monitor's Trust Account	(76)	(362)	(362)	(362)	(362)	(362)	(362)	(362)	(112)	(112)	(112)	(112)	(76)	(112)
Available cash	257	614	395	283	142	566	372	63	179	98	21	21	452	21