

PROVINCE OF QUÉBEC  
DISTRICT OF MONTRÉAL

SUPERIOR COURT  
(Commercial Division)

*Companies' Creditors Arrangement Act*, R.S.C.  
(1985) c. C-36

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No : 500-11-056550-193

**IN THE MATTER OF THE COMPROMISE OR  
ARRANGEMENT OF:**

**NORTH AMERICAN LITHIUM INC.**, a corporation incorporated pursuant to the laws of Canada having its head office at 2400-1010 Sherbrooke Street West, Montréal, Québec, H4T 1S3

Petitioner

-and-

**RAYMOND CHABOT INC.**, a corporation incorporated pursuant to the laws of Québec, having its head office at 200-600 rue de la Gauchetière West, Montréal, Québec, H3B 4L8

Proposed Monitor

-and-

**INVESTISSEMENT QUÉBEC.**, a corporation duly constituted under the *Act respecting Investissement Québec and La Financière du Québec* (CQLR c I-16.01) (assignee of the rights and obligations of La Financière du Québec under Order in Council 315-2004) having its head office at 1500-600, rue de la Gauchetière West, Montréal, Québec, H3B 4L8

-and-

**CONTEMPORARY AMPEREX TECHNOLOGY CANADA LIMITED**, a corporation duly incorporated under the laws of British Columbia, having its head office at 550 Burrard Street, Suite 2900, Vancouver, British Columbia, V6C 0A3

-and-

**DEPUTY MINISTER OF ENERGY AND  
NATURAL RESOURCES, MINISTÈRE DE  
L'ÉNERGIE ET DES RESSOURCES**

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**NATURELLES**, Bureau du sous ministre, 5700,  
4e avenue West, Suite A301, Québec, Québec,  
G1H 6R1

-and-

**ATTORNEY GENERAL FOR THE PROVINCE  
OF QUÉBEC**, having its office at 1 Notre-Dame  
Est, 8<sup>th</sup> floor, Montréal, Québec, H2Y 1B6

-and-

**GG ENTREPRENEUR MINIER INC.**, having its  
head office at 721 boulevard de l'Université  
Rouyn-Noranda, Québec, J9X 7C5

Impleaded Parties

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**MOTION FOR (I) THE ISSUANCE OF AN INITIAL ORDER; AND (II) THE GRANTING  
OF AN ADMINISTRATIVE CHARGE AND DIRECTORS AND OFFICERS CHARGE**  
(*Companies' Creditors Arrangement Act*, R.S.C. (1985) c. C-36, sections 4, 5, 9, 10, 11,  
11.02, 11.1(3), 11.51 and 11.52 ("CCAA"))

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**TO ONE OF THE HONOURABLE JUDGES OF THE SUPERIOR COURT, SITTING IN  
COMMERCIAL DIVISION FOR THE DISTRICT OF MONTREAL, THE PETITIONER  
RESPECTFULLY STATES:**

**A. REQUESTED RELIEF AND INTRODUCTION**

1. The Petitioner North American Lithium Inc. ("**NAL**") is a debtor company under the CCAA.
2. NAL is a Canadian industrial lithium mining company located in La Corne Township, approximately 38 km southeast of Amos and 60 km north of Val d'Or, Québec.
3. As more fully described below., up until February 20, 2019, NAL had been producing lithium spodumene at its mine.
4. NAL employs approximately 127 persons. Moreover, when the mining of spodumene was ongoing, approximately 200 additional persons were involved in the mining operations and the production of spodumene.
5. NAL hereby seeks the issuance of a CCAA initial order substantially in the form and substance of the draft Initial Order (the "**Draft Order**") communicated herewith as **Exhibit P-1**, providing for, *inter alia*, the following relief:
  - a) a declaration that NAL is a debtor company to whom the CCAA applies;

- b) a stay of proceedings in favour of NAL and their respective directors and officers and other general CCAA relief pursuant to, *inter alia*, sections 11, 11.02, 11.03 and 11.1(3) thereof, including a specific stay of:
    - i) the Bankruptcy Petition (as defined below) currently pending against NAL; and
    - ii) any proceedings that has been or may be commenced by the *Ministère de l'Énergie et des Ressources naturelles* ("**MERN**") seeking to (i) suspend or revoke NAL's mining rights, including its right to mining lease BM 1005 or (ii) to force NAL to furnish any financial guaranty to the MERN;
  - c) Authorization for NAL to continue to conduct its business activities and operations in order to preserve its assets and to make payments to carry out its business activities and operations, in accordance with the Cash Flow Forecast (as defined below);
  - d) The appointment of the Proposed Monitor, *Raymond Chabot Inc.* ("**RCI**" (Mr. Benoit Fontaine), as Monitor pursuant to section 11.7 of the CCAA (the "**Proposed Monitor**"); and
  - e) the granting of the Administrative Charge and D&O Charge (as both terms are defined below) pursuant to sections 11.51 and 11.52 of the CCAA.
6. A version comparing the standard CCAA Initial Order issued by the Superior Court of Québec, Commercial Division with the Draft Order is communicated herewith as **Exhibit P-1A**.
  7. As is more fully described below, NAL is facing an imminent liquidity crisis. As a result of this impending liquidity crisis, NAL will no longer be capable of meeting its obligations as they generally become due without significant additional financing and is therefore insolvent.
  8. The requested relief is necessary to facilitate the reorganization of its business and operations through a plan of arrangement and reorganization or through the sale its business.
  9. These CCAA proceedings will also allow NAL to attempt to preserve and maximize the value of its business and assets and will provide NAL with the stability required to consider and review all restructuring and reorganization options.
  10. NAL is of the view that an orderly process under the CCAA will be beneficial to all stakeholders, and will hopefully allow for the preservation of a significant number of jobs.
  11. As more fully described below, the Proposed Monitor has prepared a pre-filing report (the "**Pre-filing Report**"), which will be communicated under seal as **Exhibit P-2**.

**B. BACKGROUND & DESCRIPTION OF THE PETITIONER AND ITS BUSINESS**

12. NAL is the result of the amalgamation of North American Lithium Inc. and 9554548 Canada Inc. It was incorporated pursuant to articles of incorporation dated November 24, 2017 under the Canada Business Corporations Act, as it appears from an excerpt of the Québec corporate registry (REQ), a copy of which is communication as **Exhibit P-3**.
13. NAL purchased certain assets including, all mining claims, mineral concessions and mining leases immovable property and contracts (collectively, the from Québec Lithium Inc. ("**QLI**") pursuant to the terms of an asset purchase agreement amongst KSV Kofman Inc., QLI, Sirocco Mining Inc. and 9554661, dated June 10, 2016 (the "**Asset Acquisition**"). On June 21, 2016, Superior Court of Québec, Commercial Division, issued a vesting order approving the Asset Acquisition.
14. NAL's head office is located at 2400-1010 Sherbrooke Street West, Montréal, Québec (Exhibit P-3).
15. NAL has three shareholders: Contemporary Amperex Technology Canada Limited ("**CATL Canada**"), Ressources Québec Inc. ("**RQ**") and Jien International Investment Ltd. ("**JILL**") (Exhibit P-3).
16. NAL develops several potentially mineable lithium deposits in the area of La Corne, Québec, which collectively form NAL's open pit spodumene mine, which is operated pursuant to a mining lease.
17. Spodumene is a pyroxene mineral and a source of lithium.
18. Lithium is an important mineral used in the development of clean technology, and its demand is growing worldwide as the global transition to clean energy accelerates. The mineral is also of importance to the economic development of northern Quebec, as identified in Plan Nord.
19. Specifically, Lithium is a soft metal of major interest for the manufacturing of batteries as an alternative source of energy production. Lithium batteries are cheaper, longer-lasting, lighter and easier to charge. These properties make them an ideal energy source for electronic devices.
20. The lithium battery market is principally located in China.
21. Starting in 2017 and up until February 19, 2019, NAL extracted and commercially produced spodumene at the mine. This spodumene was then sold in the normal course of business to certain customers, namely Contemporary Amperex Technology (Hong Kong) Limited and Transamine Holdings and Investment Limited.
22. However, on February 20, 2019, NAL decided to halt production of spodumene because of the lower lithium carbonate prices in China. Indeed, the price of lithium carbonate has dropped by 60% since June 2018.

23. NAL had managed to sell its spodumene at an average price of US\$755 per tonne in 2018. However, the 2019 price is around US\$470 per tonne. At the US\$755 price per tonne, NAL was able to just about break even 2018.
24. Continuing to operate in these market conditions will result in significant financial losses.
25. As an illustration, in January 2019, NAL's operations lost approximately US\$174 per tonne of spodumene production, which resulted in a total loss of approximately USD\$1,700,000.
26. NAL's plan for the mine involves the production of lithium carbonate from a spodumene deposit until 2030.
27. NAL has a nameplate capacity of 15,000 tonnes of spodumene production per month. To date, the best record it has achieved is 87% of its nameplate capacity in one month. The average range has been between 67-73% of nameplate capacity per month.
28. NAL also already has the infrastructure required to develop a refinery for the extraction of lithium carbonate from spodumene.
29. NAL has approximately 225 suppliers.

**C. EMPLOYEES**

***i. Employee Head counts***

30. As mentioned above, NAL has approximately 127 employees. Moreover, when the mining of spodumene ore was ongoing, approximately 200 additional persons were involved in the operation of the mine and the production of spodumene.
31. Considering that the extraction of spodumene ore has been suspended at the mine and that all spodumene ore has now been treated, NAL may have to proceed to the temporary layoff of a certain number of employees. This decision will be made following discussions between NAL and its key stakeholders following the commencement of the CCAA proceedings.

***ii. Employee Entitlements***

32. As of the date hereof, NAL is current in its payroll obligations, including accrued and unpaid wages.
33. As it appears from Cash Flow Forecast, employees retained by NAL for services to be rendered after the issuance of the initial order shall be paid in the normal course of business.

**D. INDEBTEDNESS**

***i. Overview***

34. As described below, as of the present date, including certain contingent liabilities, NAL has an estimated outstanding liabilities of approximately **CAN\$210,000,000**.

***ii. Fiscal Liabilities***

35. As of the date hereof, NAL is current in its source deduction and other GST/QST obligations. In fact, NAL is currently waiting to collect GST/QST reimbursements valued at CAN\$3,549,458.

36. As it more fully appears from the Cash Flow Forecast, source deduction and other GST/QST obligations in connection with services rendered / products supplied after the issuance of the initial order shall be paid in the normal course of business.

***iii. Secured Liabilities***

37. The outstanding secured liabilities of NAL as of today totals approximately **CAN\$140,000,000**, which can be summarized as follows:

First IQ Debt - CAN\$36,000,00 loan

38. On June 7, 2016, Investissement Québec (“IQ”) made an offer to NAL to loan it an amount of up to CAN\$36,000,000 (the “**First IQ Debt**”) in order to assist NAL in completing the Asset Acquisition and to restart the mine’s operations. This offer was accepted by NAL on June 9, 2016.

39. On July 8, 2016, NAL signed an amending letter modifying certain terms of the loan. Notably, the amending terms set out that 9554548 Canada Inc. (now NAL), instead of JIIL, would make an equity investment of CAN\$30,000,000 in NAL.

40. On July 7, 2016, IQ registered security interests against all of the movable and immovable assets of NAL, in the principal amount of CAN\$36 Million, plus 25% interest and a further 20% of the principal amount (resulting into an aggregate initial secured amount of CAN\$43.2 million) (the “**First IQ Security**”), the whole as more fully appears from the Register of Personal and Movable Real Rights report (the “**RPMRR Report**”) communicated herewith as **Exhibit P-4**.

41. As of the date hereof, NAL is indebted to IQ in an amount of **CAN\$36,000,000** plus accrued and unpaid interests in respect of the First IQ Debt.

Second IQ Debt - CAN\$63,000,000 loan

42. On June 30, 2016, in the context of the Asset Acquisition, NAL agreed assume QLI’s debt to IQ, in the amount of CAN\$63,000,000 (the “**Second IQ Debt**”), in exchange for the full release of QLI.

43. The Second IQ Debt bears no interest for a period of four years, but must be repaid in full within ten years, failing which the balance will bear interest at a rate of 5% per annum.
44. On July 7, 2016, IQ also registered a security interest against all of the movable and immovable assets of NAL, in the principal amount of CAN\$63 Million plus 25% interest and a further 20% of the principal amount (resulting into an aggregate initial secured amount of CAN\$75.6 million) (the "**Second IQ Security**"), which ranks second to the First IQ Security and to the CATL Canada Security (as defined below), the whole as more fully appears from the RPMRR Report.
45. As of the date hereof, NAL is indebted to IQ in an amount of **CAN\$63,000,000** in respect of the Second IQ Debt.
46. The aggregate IQ indebtedness is therefore **CAN\$99,000,000** plus accrued and unpaid interest in respect of First IQ Debt.

CATL Canada Secured Loan - CAN\$40,000,000

47. CATL Canada advanced CAN\$40,000,000 to NAL pursuant to a Multiple Draws Convertible Promissory Note dated June 19, 2018 (the "**CATL Canada Secured Loan**").
48. The CATL Canada Secured loan bears interest at a rate equal to the prime rate plus 2% per annum.
49. CATL Canada has the right, before the maturity date, to convert all of the Drawn Amount into common shares of NAL at a price equal to the lower of (i) CAN\$2.75 and (ii) the lowest price at which NAL issues shares to any person before the maturity date, excluding any shares issued pursuant to NAL's stock option plan.
50. On January 19, 2019, as security for the obligations of NAL under the CATL Canada Loan, CATL Canada registered a deed of hypothec affecting all movable and immovable properties of NAL, in the amount of CAN\$40 million, with interest thereon at a rate of 25% per annum and a further 20% of the principal amount (resulting into an aggregate initial secured amount of CAN\$50 million) (the "**CATL Security**"), the whole as more fully appears from the RPMRR Report.
51. The CATL Security ranks *pari passu* with the First IQ Debt pursuant to the terms of an intercreditor agreement entered into between IQ and CATL Canada on June 19, 2018.
52. As of the present date, NAL is indebted to CATL Canada in an amount of **CAN\$40,000,000** plus accrued and unpaid interest.
53. Independent reviews of the validity and enforceability of the security interests described above have yet to be carried out.

54. That being said, NAL recognizes being indebted towards IQ and CATL Canada and that their respective security interests are valid and enforceable.

***iv. Registrations in Québec***

55. For ease of reference, the search results for NAL are communicated herewith:

- a) RPMRR Report (Exhibit P-4);
- b) real estate search results on NAL's immovable property, communicated herewith as **Exhibit P-5**;
- c) Search results from the Public register of real and immovable mining rights granted under the Mining Act (Québec) on NAL's mining rights, communicated herewith as **Exhibit P-6**.

***v. Unsecured Liabilities***

56. The outstanding unsecured liabilities, including certain contingent liabilities, of NAL as of today totals approximately **CAN\$71,900,000**, which can be summarized as follows:

CATL Canada CAN\$16,000,000 unsecured loan

57. CATL Canada advanced a CAN\$16 million unsecured interest bearing loan to NAL and NAL issued a convertible note to CATL Canada, dated December 25, 2017 (the "**Convertible Note**"), for the purposes of repaying CAN\$16 million in debt owed to Transamine Holdings and Investment Limited ("**Transamine**").
58. The principal amount of this debt bears interest at an annual rate equal to the LIBOR rate plus 1%.
59. The Convertible Note matured on December 31, 2018 and NAL has not repaid CATL Canada.
60. As of the date of the present, NAL therefore owes CATL Canada an unsecured amount of **CAN\$16,000,000** plus accrued and unpaid interest.

Suppliers and other creditors

61. As of the date hereof, the aggregate indebtedness, including certain contingent liabilities, of NAL to its suppliers and other creditors not holding security totals approximately **CAN\$32,000,000**.

MERN Financial guarantee

62. On February 22, 2019, the MERN sent a letter to NAL reminding it of its obligation to and demanding that it immediately furnish a financial guarantee to the MERN in the amount CAN\$23,607,426 to cover the anticipated cost of completing the work required under the rehabilitation and restoration plan to the



extent provided for in the *Mining Act*, chapter M-13.1, the whole as more fully appears from a copy of this letter communicated herewith as **Exhibit P-7**.

63. On March 22, 2019, despite having tolerated such a default for a long period of time, the MERN sent a letter to NAL pursuant to which it provided notice that that the MERN would commence enforcement proceedings against NAL as a result of its failure to furnish the financial guarantee, as it more fully appears from a copy of this letter communicated herewith as **Exhibit P-8**.
64. Specifically, the MERN advised that it would taking the following actions against NAL:
- a) proceedings seeking an order suspending or revoking of the mining lease (BM 1005) pursuant to section 278 of the Mining Act;
  - b) issuing a ministerial order forcing NAL to furnish the financial guarantee pursuant to section 232.8 of the Mining Act; and
  - c) instituting penal proceedings against NAL pursuant to section 318 of the Mining Act, for which the fine may total 10% of the amount of the financial guarantee.
65. Given NAL's current financial situation, it has not been able to provide the financial guarantee to the MERN and is therefore indebted to the MERN in an amount equal to the amount of the financial guarantee i.e. CAN\$23,607,426.

#### **E. FINANCIAL RESULTS AND LOSSES**

66. For the year ended December 31, 2018, NAL recorded a net loss estimated to be approximately CAN\$1,049,126, as appears from a copy of NAL's unaudited financial statements communicated herewith **under seal** as **Exhibit P-9**. A copy of NAL's unaudited financial statements for the month ending March 31, 2019 are also included in Exhibit P-9.
67. As will more fully appear from the Pre-filing Report, since NAL is still in a start-up phase, the 2017 and 2018 losses were added to the capital assets account on the balance sheet. Based on an average selling price of US\$750 per ton for 2018, NAL's real operating losses total approximately CAN\$7,700,000.

#### **F. EVENTS LEADING TO THE CCAA PROCEEDINGS**

##### ***i. Factors contributing to NAL's insolvency***

68. A combination of factors have caused the insolvency of NAL including, *inter alia*:
- a) the price of both lithium carbonate and spodumene have decreased significantly since June 2018 as a result of:

- i) the worldwide production capacity of spodumene nearly doubling, namely in Australia, which has lower extraction costs and is much closer in proximity to the Chinese markets;
  - ii) the Chinese purchasers of NAL have put pressure on spodumene suppliers in order to raise their bottom lines.
- b) the significant costs associated with the extraction, transportation and shipping of spodumene from NAL's mine in La Corne, namely since NAL relies on a third-party operator of the mine, GG Entrepreneur Minier inc. ("GG");
  - c) the factors mentioned above have forced NAL to suspend extraction of Spodumene ore at the mine as well as the inability to reach a satisfactory agreement with GG;
  - d) all of NAL's spodumene ore, except for 27kt of ore stock, has been transformed to spodumene and all such spodumene inventory has been sold;
  - e) significant capital investments are required to optimize the mill operation;
  - f) NAL does not currently produce lithium carbonate at the La Corne mine. While NAL already has the infrastructure required to develop a refinery for the extraction of lithium carbonate from spodumene, significant investment are required to build the hydrometallurgical refinery that will be used to produce lithium carbonate from spodumene.
  - g) NAL does not have sufficient resources or the ability to generate sufficient funds to pay its suppliers in the normal course and has received demands from payments from certain suppliers;
  - h) NAL does not have sufficient liquidity to furnish the financial guarantee to the MERN; and
  - i) inability to negotiate cost reductions in certain material logistics and other contracts, namely in its business dealings with the operator of the mine, GG;
69. In the past few weeks, NAL has engaged in efforts to find a solution to the financial challenges that it is facing, which included :
- a) submitting a funding request to its three shareholders; and
  - b) seeking to renegotiate terms of payment with certain unpaid suppliers;
70. These efforts proved unsuccessful and losses relating to the NAL's operations continue to escalate to unsustainable levels.

**ii. The Bankruptcy Petition, the Interim Receivership Motion and the dispute with GG has precipitated the present CCAA filing**

71. On March 12, 2019, a *Requête en Faillite* (the “**Bankruptcy Petition**”) and a *Requête pour Nomination d’un Séquestre Intérimaire* (the “**Interim Receivership Motion**”, and collectively with the Bankruptcy Motion, the “**Bankruptcy Proceedings**”) were served upon NAL by GG, a copy of the Bankruptcy Proceedings are communicated herewith *en liasse* as **Exhibit P-10**.
72. As mentioned above, GG is the third-party operator of NAL’s mine and therefore an integral part of the operations.
73. GG asserts in the Bankruptcy Proceedings that is has a claim valued at approximately CAN\$10,000,000 against NAL.
74. Not a single formal demand for payment was made by GG prior to the time of the filing of the Bankruptcy Proceedings.
75. On March 26, 2019, NAL filed a written contestation of the Interim Receivership Motion (the “**NAL Contestation**”), a copy of which is communicated herewith as **Exhibit P-11**.
76. After having taken cognizance of the NAL Contestation, on March 27, 2019, the day before the scheduled hearing of the Interim Receivership Motion, GG requested an indefinite (*sine die*) postponement, which was refused by the Court, as more fully appears from the minutes of the hearing communicated herewith as **Exhibit P-12**.
77. In order to save face given that the Interim Receivership Motion had absolutely no chance of success, GG provided instructions to its attorneys to withdraw the Interim Receivership Motion. NAL intends to file an application for a declaration that the Interim Receivership Motion was abusive and to recover the costs incurred by NAL in defending against such an abusive proceedings.
78. Although the Interim Receivership Motion has been withdrawn, the Bankruptcy Petition remains outstanding, although no hearing date has been set.
79. As set out in the NAL Contestation, GG has instituted the Bankruptcy Motion for an improper purpose, namely as a means to collect certain disputed and unliquidated amounts which GG claims are owed to it by NAL, and not for the general benefit of all creditors
80. Indeed, in a letter sent by GG’s lawyers to NAL’s lawyers on March 19, 2019, such improper purpose is apparent. A copy of this letter is communicated herewith as **Exhibit P-13**.
81. In this letter, GG actually proposes to withdraw the Bankruptcy Proceedings in exchange for the repayment by NAL of the amounts allegedly owed to it.

82. This letter is an unequivocal demonstration that GG is using the very serious, drastic and draconian bankruptcy proceedings for the sole purpose of trying to collect a debt.
83. As also set out in the Contestation, NAL also refutes that it has committed any acts of bankruptcy. Indeed, two out of the three acts of bankruptcy that are alleged by GG are based on nothing more than conjecture and falsehoods.
84. Finally, NAL submitted in its Contestation that the Bankruptcy Proceedings are not in the best interest of NAL or its stakeholders.
85. Indeed, even assuming that GG's claim is valid, the bankruptcy of NAL would be disastrous for all of NAL's stakeholders, including its creditors, employees and shareholders. Even GG would derive no benefit from NAL's bankruptcy.
86. NAL is a significant employer in the Abitibi region and is committed to finding a solution that will be in the interests of all of its stakeholders, including its employees.
87. While NAL disputes the many serious and frivolous allegations set out in the Bankruptcy Petition and is of the view that such petition would likely be refused by the Court, NAL submits that given its current state of insolvency it would be reckless to take a risk of a bankruptcy judgment which would cause irreparable harm to all of NAL's stakeholders.
88. In this context, NAL submits that the best forum for achieving a solution that is fair and in the best interests of all stakeholders is through the present CCAA proceedings.
89. Evidently, NAL also requests that the stay of proceedings specifically extend to the Bankruptcy Petition so that the rights and claims of all creditors can be dealt with in an orderly manner with the CCAA proceedings.
90. It goes without saying that costs of contesting the Bankruptcy Petition would be significant and would only exacerbate NAL's financial difficulties. Such costs would be better utilized in the context of the present CCAA proceedings.
91. Finally, the CCAA proceedings may even provide a forum in which NAL and GG could negotiate a new service agreement that could allow for the resumption of operations at the mine.

**G. THE CASH FLOW FORECAST**

92. Considering that NAL has essentially suspended all commercial activities, it no longer has any revenue stream at the present time. Its receipts stem mainly from sales tax reimbursements and some outstanding receivables.
93. Faced with this looming liquidity crisis, NAL has begun implementing cost saving measures that will help generate additional liquidities, including ceasing

operations at the mine until further notice, and such expenses are limited to care and maintenance only.

94. Furthermore, based on discussions that will be held with key stakeholders following the commencement of the CCAA proceeding, NAL may elect to further cut expenses by proceeding to the temporary layoff of a certain number of employees.
95. Based on the information provided to the Proposed Monitor by NAL management, the Monitor estimates that NAL has sufficient liquidity to support its current burn rate until the end of August 2019, as it more fully appears from the Pre-filing Report and the cash-flow forecast contained therein.
96. NAL submits that this a reasonable time period during which NAL can begin to implement its restructuring plan with the assistance of the Proposed Monitor. Given that NAL is not currently generating any revenues, it may be necessary for NAL to seek and put in place an interim financing if it is not able to carry out its restructuring plan by the end of August 2019.

#### **H. NEED FOR CREDITOR PROTECTION**

##### ***i. NAL is Insolvent***

97. Despite the best efforts made by management and the acting board of directors, NAL is currently insolvent since the aggregate value of its property would not be sufficient to enable payment of all its obligations.
98. Other than certain pre-filing receivables, NAL is no longer generating any revenue and no further revenue is anticipated to be generated in the short term unless market conditions significantly improve.
99. NAL has limited cash resources and such resources will not be sufficient in the near future to pay its liabilities in the normal course.
100. Based on the Cash Flow Forecast, NAL anticipates that it will have sufficient funding and liquidity to cover anticipated post-filing costs and expenses during the 10 week forecast period. However, if needed, NAL may seek Court approval of debtor-in-possession financing prior to such date.

##### ***ii. Restructuring Plan***

101. NAL requires the benefit of the relief sought under this Motion, including a stay of proceedings, to allow it to explore restructuring options, engage in discussions with key stakeholders such as employees, suppliers, lenders and shareholders within a single court-supervised process, and to pursue available options for the benefit of all stakeholders.
102. With such protection, NAL will dedicate its resources to:

- a) seeking capital investments in NAL, including a potential recapitalization by existing shareholders, which would allow NAL:
  - i) to improve the profitability of its operations by reducing or optimizing costs associated with the extraction and treatment of spodumene; and
  - ii) to submit a plan of arrangement to its creditors;
- b) continuing care and maintenance efforts at the mine;
- c) taking steps to preserve and maintain the value of the assets and properties; and
- d) such other matters that may arise throughout the proceedings.

I. **RELIEF SOUGHT**

*i. General CCAA relief*

- 103. NAL believes that it is entirely appropriate for the order requested herein to be made forthwith seeing as it finds itself in a difficult financial circumstances, is insolvent, is not able to meet its obligations and requires the continuance of the stay of proceedings for the benefit of its creditors and other stakeholders.
- 104. NAL is seriously concerned that unless the requested order is made, certain suppliers, creditors and other stakeholders may take further steps that will deplete its estate to the detriment of all stakeholders. Such concern is clearly justified considering that a Bankruptcy Petition has already been filed against NAL.
- 105. The CCAA proceedings are therefore necessary to preserve the potential value of the NAL's business with minimal disruption.
- 106. The Petitioner therefore requests a stay of proceedings for an initial thirty-day period until May 27, 2019, the whole as set forth in the Draft Order (P-1).
- 107. The stay of proceedings will preserve the *status quo* and prevent creditors and others from taking any steps to try to improve their positions in comparison to other creditors. All stakeholders generally, including creditors, will benefit from the requested order.
- 108. The stay of proceedings will also specifically stay the Bankruptcy Petition for the reasons more fully set out above.
- 109. Specifically, NAL also requests that this Court stay any proceedings that
- 110. In the event of a bankruptcy, liquidation and complete termination of operations, the value of the NAL's assets will be substantially reduced and the majority of jobs will be lost.

**ii. Stay of proceedings against the MERN pursuant to s. 11.1(3) of the CCAA**

111. As stated in its March 22, 2019 letter (Exhibit P-8), the MERN has either commenced or will imminently commence proceedings against NAL as result of NAL's failure to furnish the financial guarantee required under the Mining Act.
112. Such proceedings may seek to (i) suspend or revoke NAL's mining rights, including its mining lease (BM 1005) pursuant to section 278 of the Mining and (ii) enjoin NAL to furnish the financial guarantee required by the Mining Act pursuant to section 232.8 of the Mining Act.
113. In addition to any proceeding to suspend or revoke NAL's mining rights, the MERN has also threatened to enjoin NAL, through a ministerial order pursuant to section 232.8, to furnish the financial guarantee under the Mining Act. NAL submits that such a proceeding or order constitutes the enforcement of a payment and is therefore stayed pursuant to section 11.02 of the CCAA.
114. However, to avoid any uncertainty, NAL also request that this Court specifically issue a stay of proceedings with respect to any proceeding commenced or with respect to the enforcement of any order made under section 232.8 of the Mining Act.
115. It is clear that such actions by the MERN would cause irreparable harm to NAL and would be disastrous for all stakeholders. Without its mining lease, NAL would essentially be stripped of all value and bankruptcy would be imminent.
116. A viable compromise or arrangement could not be made in respect of NAL if the MERN was able to continue or commence proceedings that could eventually result in the suspension or revocation of NAL's mining lease.
117. It is also clear that the stay of these proceedings would not be contrary to the public interest. Through the present proceedings, NAL is seeking to implement a plan to restructure and to ensure the long-term viability of its business. This plan would necessarily include making an arrangement with the MERN with respect to the financial guarantee required under the Mining Act.
118. It is therefore in the public interest that the mining activities continue as a going concern and that the MERN is not left with the potential financial burden of rehabilitating and restoring the land.
119. Finally, considering that the MERN has tolerated NAL's delay in providing the full financial guarantee for an extended period of time, it is clear that the MERN would suffer no harm as a result of this stay of proceedings. The stay of proceedings would simply result in the *status quo*.

**iii. Appointment of RCI as Monitor**

120. RCI, the Proposed Monitor, was retained by NAL to analyze and report on the financial affairs of NAL in the context of the Bankruptcy Proceedings and is already aware of its financial and operational situation.
121. Indeed, RCI even prepared a detailed report (Exhibit P-9), which was filed along with the NAL Contestation.
122. The Proposed Monitor intends to file the Pre-filing Report (Exhibit P-2) confirming its consent to act as the NAL's monitor.
123. NAL believes that it is in the best interest of all stakeholders that this Court appoints the Proposed Monitor as monitor pursuant to the CCAA and acknowledge that the Proposed Monitor has valuable insights into the Petitioner's business and will be in a position to perform its monitoring duties without further delay.
124. In addition to any powers or obligations provided by the CCAA, NAL requests that this Court grant the Proposed Monitor the powers, rights, obligations and protections as set forth in the Draft Order.

**iv. Directors' and Officers' Charge**

125. In order to continue to carry on business during the CCAA proceedings, NAL requires the active and committed involvement of certain members and acting members of its board of directors and senior officers.
126. Although NAL intends to comply with applicable laws and regulations, including the timely remittance of deductions at source and federal and provincial sales tax, the members and acting members of its board of directors, officers and acting officers of NAL are nevertheless concerned about the potential for their personal liability in the context of the present CCAA proceedings.
127. Given that NAL's ongoing operations, including the implementation of its restructuring, requires the continued implication and assistance of some of these individuals, the directors and officers and the acting directors and officers require indemnification from NAL for all liabilities which they may incur in the context of their employment after the filing of these proceedings.
128. NAL's directors' and officers' liability insurance policy will expire on April 30, 2019. In light of the Bankruptcy Proceedings and its current situation of insolvency, it is unlikely that NAL will be able to renew the policy or obtain a new policy.
129. NAL is not currently in position to secure additional directors' and officers' liability insurance given its current financial situation.
130. NAL therefore requests a Court-ordered charge (the "**D&O Charge**") in the amount of \$1,500,000 over its assets, property and undertakings to indemnify its



directors and officers in respect of any liability which they may incur from and after the commencement of these proceedings.

131. NAL proposes that the D&O Charge only apply to the extent that the D&O Insurance is inadequate.
132. NAL submits that the D&O Charge is reasonable and adequate given, notably, the complexity of the business and the extensive work that is required of the directors and officers to maintain operations, secure financing and implement a potential restructuring in the context of the present proceedings.
133. Without this protection, NAL is concerned that one or more of its directors or officers will be forced to resign from their positions, which would likely jeopardize the continuation of the business, the whole to the detriment of NAL's stakeholders.
134. Moreover, the D&O Charge will provide assurances to NAL's employees that its obligations towards them for accrued wages, termination and severance pay shall be honoured.

**v. Administration Charges**

135. Counsel for NAL, the Proposed Monitor, the Proposed Monitor's counsel are essential to the present CCAA proceedings.
136. They have each advised that they are prepared to provide or continue to provide professional services to NAL only if they are protected by a charge over the NAL's assets.
137. NAL therefore seeks a CAN\$500,000 administration charge, which shall affect its assets and secure the payments to be made to the Proposed Monitor and its legal counsel, if applicable, and NAL's legal counsel, the whole as set forth in the Draft Order.

**J. CONCLUSIONS**

138. NAL believes that it is wholly appropriate for the orders requested herein to be made forthwith seeing as it finds itself in precarious financial circumstances, is insolvent and requires a stay of proceedings for the benefit of all of its creditors and other stakeholders.
139. Both of NAL's secured creditors, namely IQ and CATL Canada, are supportive of the present Motion and orders sought herein.
140. As evidenced by the pending Bankruptcy Petition, NAL is correctly deeply concerned that unless the orders sought are rendered, certain creditors and other stakeholders will pursue steps already taken or will take steps that will deplete NAL's estate to the detriment of all stakeholders and jeopardize the restructuring efforts.

141. No creditor will be materially prejudiced by the granting of the Draft Order. To the contrary, it will allow NAL to enhance and maximize the value of the assets and the likelihood of a plan of arrangement to be submitted to NAL's creditors.
142. For the reasons set forth above, NAL believes it is both appropriate and necessary that the relief being sought be granted.
143. Considering the urgency of the situation, NAL respectfully submits that the notices given of the present Motion are proper and sufficient and that this Motion should be granted in accordance with its conclusions.
144. The present Motion is well founded in fact and in law.

**WHEREFORE, MAY THIS COURT:**

1. **GRANT** this Motion;
2. **ISSUE** an order substantially in the form of the draft Initial Order communicated in support of the Motion as **Exhibit P-1**;
3. **THE WHOLE WITHOUT COSTS**, save and except in case of contestation.

Montréal, this 23<sup>rd</sup> day of May, 2019



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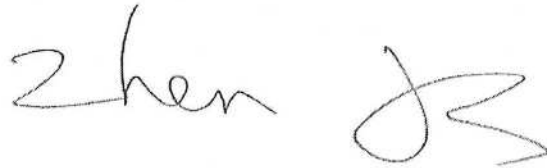
Fax number: +1 514 397 7600

## SWORN STATEMENT

I, the undersigned, Janet Huang, acting Chief Financial Officer for North American Lithium Inc, having my professional address at 500, route du Lithium, La Corne, Québec, J0Y 1R0, do solemnly declare:

1. Since March 2018, I am acting as Chief Financial Officer for North American Lithium Inc. ("**NAL**");
2. I am a duly authorized representative of NAL in the present case;
3. I either have personal knowledge or became aware, from information obtained and reviewed in the context of my duties, of all the facts alleged in the *Motion for (i) the Issuance of an Initial Order and (ii) the Granting of Administrative Charge and a Directors and Officers Charge* and all such facts are true.

AND I HAVE SIGNED :



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Janet Huang

Solemnly affirmed before me by  
videoconference in Montréal, on May 23,  
2019



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Commissioner for Oaths for Québec



**NOTICE OF PRESENTATION**

**ADDRESSEE(S) :**

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TO SERVICE LIST

**TAKE NOTICE** that the present obtained and reviewed in the context of my duties, of all the facts alleged in the *Motion for (i) the Issuance of an Initial Order and (ii) the Granting of Administrative Charge and a Directors and Officers* will be presented for adjudication before a judge sitting in commercial division for the district of Montréal on **May 28, 2019** at **9:00 a.m.** or so soon thereafter as counsel may be heard, in Room **16.12** of the Montréal courthouse, located at 1 Notre-Dame Street East, Montréal, Quebec, H2Y 1B6.

**DO GOVERN YOURSELVES ACCORDINGLY.**

Montréal, this 23<sup>rd</sup> day of May, 2019



**Fasken Martineau DuMoulin LLP**

Attorneys for North American Lithium Inc.

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IN THE MATTER OF THE COMPANIES CREDITORS ARRANGEMENT ACT, RSC  
(1985), CH. C-36, AS AMENDED ("CCAA") :

NORTH AMERICAN LITHIUM INC.

SERVICE LIST

<b><u>APPLICANT</u></b>	
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<b><u>PROPOSED MONITOR</u></b>	
Mr. Benoit Fontaine <b>Raymond Chabot Inc</b> 200-600 rue de la Gauchetière West Montréal, QC H3B 4L8  Email : Fontaine.Benoit@rcgt.com	
<b><u>IMPLEADED PARTIES:</u></b>	
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<p><b>Deputy Minister of Energy and Natural Resources,</b> Ministère de l'énergie et des ressources naturelles Bureau du sous ministre 5700, 4e avenue West, Suite A301 Québec, QC G1H 6R1</p>	<p><b>Attorney General of Québec</b> Direction du contentieux - Montréal 1, rue Notre-Dame Est, bureau 8.00 Montréal (Québec) H2Y 1B6</p> <p>Notification email : bernardroy@justice.gouv.qc.ca</p>
<p>Me Yannick Crack <b>Therrien Couture s.e.n.c.r.l.</b> 1910 rue King West, Suite 320 Sherbrooke QC J1J 2E2</p> <p><b>Attorneys for GG Entrepreneur Minier Inc.</b></p> <p>Email : yannick.crack@therriencouture.com</p>	<p>Me Neil Peden <b>Woods s.e.n.c.r.l.</b> 2000 McGill College Avenue Suite 1700 Montréal QC H3A 3H3</p> <p><b>Attorneys for Jien International Investment Ltd.</b></p> <p>Email : npeden@woods.qc.ca</p>

**PROVINCE OF QUÉBEC  
DISTRICT OF MONTRÉAL**

**SUPERIOR COURT  
(Commercial Division)  
*Companies' Creditors Arrangement Act, R.S.C.  
(1985) c. C-36***

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No : 500-11-056550-193

**IN THE MATTER OF THE COMPROMISE OR  
ARRANGEMENT OF:**

**NORTH AMERICAN LITHIUM INC.**

Petitioner

-and-

**RAYMOND CHABOT INC.**

Proposed Monitor

-and-

**INVESTISSEMENT QUÉBEC.**

-and-

**CONTEMPORARY AMPEREX TECHNOLOGY  
CANADA LIMITED**

-and-

**DEPUTY MINISTER OF ENERGY AND  
NATURAL RESOURCES, MINISTÈRE DE  
L'ÉNERGIE ET DES RESSOURCES  
NATURELLES**

-and-

**ATTORNEY GENERAL FOR THE PROVINCE  
OF QUÉBEC**

-and-

**GG ENTREPRENEUR MINIER INC.**

Impleaded Parties

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**LIST OF EXHIBITS**

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- EXHIBIT P-1: Draft Order;
- EXHIBIT P-1A: Compare version of the Draft Order;
- EXHIBIT P-2: The Pre-filing report (**under seal**);
- EXHIBIT P-3: Excerpt of the Québec Corporate Registry for North American Lithium Inc.;
- EXHIBIT P-4: Register of Personal and Movable Real Rights report confirming that IQ registered security interests against all of the movable and immovable assets of NAL on July 7, 2016;
- EXHIBIT P-5: Real estate search results on NAL's immovable property;
- EXHIBIT P-6: Search results from the Public register of real and immovable mining rights granted under the Mining Act (Québec) on NAL's mining rights;
- EXHIBIT P-7: Letter from the MERN to NAL dated February 22, 2019;
- EXHIBIT P-8: Letter from the MERN to NAL dated March 22, 2019;
- EXHIBIT P-9: *En liasse* Copy of NAL's unaudited financial statements for the year ended December 31, 2018 and for the month ending March 31, 2019 (**under seal**);
- EXHIBIT P-10: Bankruptcy Proceedings served on March 12, 2019 upon NAL by GG;
- EXHIBIT P-11: Written Contestation of the Interim Receivership Motion filed on March 26, 2019 by NAL;
- EXHIBIT P-12: Minutes of the hearing refusing the indefinite (*sine die*) postponement requested by GG;
- EXHIBIT P-13: Letter sent by GG's lawyers to NAL's lawyers dated of March 19, 2019.



Montréal, this 23<sup>rd</sup> day of May, 2019

*Fasken Martineau DuMoulin*

**Fasken Martineau DuMoulin LLP**

Attorneys for North American Lithium Inc.

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PROVINCE OF QUEBEC  
SUPERIOR COURT  
(Commercial Division)  
DISTRICT OF MONTRÉAL  
LOCALITY OF MONTRÉAL

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**IN THE MATTER OF THE COMPROMISE  
OR ARRANGEMENT OF:**

**NORTH AMERICAN LITHIUM INC.**

Petitioner

**RAYMOND CHABOT INC.**

Proposed Monitor

**INVESTISSEMENT QUÉBEC ET AL**

Impleaded Parties

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BF1339

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**Motion for (i) the Issuance of an Initial  
Order and (ii) the Granting of  
Administrative Charge and a Directors and  
Officers, Sworn Statement, Notice of  
Presentation, List of Exhibits**

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ORIGINAL

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