

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"

**FOURTEENTH 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 fourteenth 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 March 22, 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 twelve times.
- 1.2 The previous extension was obtained on January 22, 2021, extending the stay period until March 26, 2021.
- 1.3 Given the reports already issued by the Monitor, this fourteenth report discusses:
 - Section 2: Steps undertaken since the January 22, 2021 order;
 - Section 3: The Sale and Investor Solicitation Process;
 - 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 JANUARY 22, 2021 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 Continued its participation in the Relaunch SISP;
- 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 Relaunch 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 Continued to carry out the Relunched SISP.

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 November 11, 2020, following discussions with the secured creditors, the Monitor had decided, in accordance with Sections 1.5, 9.8 and 13.2 of the SISP Procedures, to provide all parties that have expressed interest in the initial SISP and executed a confidentiality agreement with an ultimate and limited opportunity to confirm, submit, revise and/or improve a bid. (the “Relunched SISP”).

3.3 The Bid Deadline of the Relunched SISP, as agreed with the main stakeholders, namely IQ and CATL, was set to **January 15, 2021 at 5:00 p.m.**

3.4 Following the bid deadline, the Monitor:

3.4.1 Opened the submitted bids;

3.4.2 Shared a copy of the submitted bids with NAL, IQ and CATL;

3.4.3 Began its review of the bids;

3.4.4 Sought additional clarifications in respect of the bids;

3.4.5 Had discussions with NAL, IQ and Contemporary Amperex Technology Canada Limited and the bidders.

3.5 On March 4, 2021, the Monitor, with the support of the Secured Creditors, delivered a letter to all bidders providing them with an ultimate opportunity to revise, improve (i.e. financial terms and/or lifting conditions) and/or confirm their respective bids by no later than April 6, 2021, the whole in accordance with the SISP Procedures.

3.6 In a view to maximize the chances of success of the SISP, NAL is seeking an extension of the stay of proceedings until April 30, 2021, in order to, among other things:

3.6.1 Receive the confirmation of existing bids and/or revised bids on April 6, 2021;

3.6.2 Review and assessment of any revised bids;

3.6.3 Seek clarifications in respect of any revised bids;

3.6.4 Continue discussions between the Monitor, the Secured Creditors and the bidders;

3.6.5 Accept of one or more bids, if any;

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- 3.6.6 Review of restructuring options, including a draft plan of compromise based on the bids submitted; and
- 3.6.7 Preparation and hearing before the court of a motion to move forward in accordance with the SISP 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 9-week period ended March 13, 2021 (since the previous Order) as well as actual cash position for the 94-week period ended March 13, 2021 (since the Initial Order):

(In thousands of \$)	9-Week period ended March 13, 2021			94-Week period ended March 13, 2021
	Actual	Forecast	Variance	Actual
Receipts				
Accounts receivable			-	7
Interim Financing	1 000	1 000	-	9 500
Insurance premium reimbursements	286	286	-	772
GST/QST reimbursement	102	16	86	2 460
Other	-	-	-	146
	1 388	1 302	86	12 885
Disbursements				
Salaries and social benefits	366	372	6	7 668
Utilities	88	121	33	999
Insurance	170	169	(1)	3 142
Drilling and excavation costs	-	-	-	800
Maintenance, gas and other operation costs	356	503	147	3 752
Property taxes	200	200	-	225
Legal and monitor fees	83	175	92	1 036
	1 262	1 539	277	17 622
Increase (decrease) of cash	125	(237)	363	(4 737)
Cash (beginning)	528	528	-	5 391
Cash (end)	653	291	363	654
Less : Monitor's Trust Account	(362)	(112)	(250)	(362)
Available cash	291	179	363	291

- 4.3 Main variances can be explained as follows:
 - 4.3.1 GST/QST reimbursement: based on actual taxable expenses;
 - 4.3.2 Utilities: lower than budgeted due to a timing variance;
 - 4.3.3 Maintenance, gas and other operation costs: Operation costs were lower than budgeted, i.e. overestimated operational costs and timing variance;

- 4.3.4 Legal and Monitor fees: lower than budgeted due to a timing variance;
- 4.3.5 Monitor's Trust Account: Timing variance of the transfer of funds from the Monitor's account to NAL's account.

5. CASH FLOW PROJECTIONS

- 5.1 NAL prepared a cash flow for the period ending on May 1, 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.
- 5.3 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.
- 5.4 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.
- 5.5 The projections consider the plant shutdown and are based on specific assumptions:
 - 5.5.1 Interim financing: Based on cash-flow requirements and total projected availability of the interim financing;
 - 5.5.2 Salaries, vacations and social benefits: Based on 16 full-time employees to ensure maintenance of facilities;
 - 5.5.3 Utilities: based on historical consumption;
 - 5.5.4 Property and other insurance: As per insurance policies terms and conditions;
 - 5.5.5 Maintenance and other operations costs: Includes clean-up and maintenance, water treatment, IT related expenses, osmosis project membrane repair, CATL management fees, etc.;
 - 5.5.6 Property taxes: Based on an agreement with the city of La Corne;
 - 5.5.7 Professional fees: Based on recent historical fees and considering work required to pursue the Relunched SISP;
 - 5.5.8 No capital or interest payments on IQ's/CATL's loans and interim financing;
 - 5.5.9 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 \$286,000 will have to be released by the Monitor to NAL during the week ending March 27, 2021.

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- 5.6 On March 22, 2021, based on the above-mentioned cash-flow projections, IQ advised the Monitor it would increase its Interim Financing facility by an additional amount of \$1,000,000 (for a total of \$10.5 million) to support NAL's additional cash-flow requirements until May 1, 2021, hence covering the sought extension period.
- 5.7 The Interim Financing of \$10.5 million, which \$1,000,000 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. April 30, 2021.

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 \$1,000,000 to support NAL's cash-flow requirements until April 30, 2021, 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 Continue the Relunched SISP;
 - 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.
- 6.4 Finally, no unsecured creditor will be materially prejudiced as a result of the security or charge requested.
- 6.5 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 NAL would have sufficient funds until April 30, 2021;

7.1.3 NAL, CATL and IQ have agreed on the continuation of the SISP and the related procedures, including the Relaunch SISP to allow, among others, the steps described at paragraph 3.10 of this report;

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 may benefit from the following:

7.2.1 The Additional Interim Financing;

7.2.2 The extension and continuity of the Relaunch SISP;

7.2.3 The additional stay period requested until April 30, 2021 for NAL to complete its Relaunch 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 1, 2021

(Unaudited)

(In thousands of \$) - Week ending :	2021-03-20	2021-03-27	2021-04-03	2021-04-10	2021-04-17	2021-04-24	2021-05-01	Total	94-Week period ended March 13, 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>	Actual	
Receipts										
Accounts receivable	-	-	-	-	-	-	-	-	7	7
Interim financing	-	-	500	-	-	500	-	1 000	9 500	10 500
Insurance reimbursements	-	-	-	-	-	-	-	-	772	772
Sales taxes reimbursements	6	-	-	-	6	-	-	12	2 460	2 472
Other	-	-	-	-	-	-	-	-	146	146
	6	-	500	-	6	500	-	1 012	12 885	13 897
Disbursements										
Salaries and social benefits	28	52	28	40	28	52	28	256	7 668	7 924
Utilities	8	-	-	29	8	-	-	45	999	1 044
Insurance	-	-	-	-	-	-	55	55	3 142	3 197
Maintenance and other operation costs	86	20	241	262	13	12	24	658	4 552	5 210
Property taxes	-	-	25	-	-	-	25	50	225	275
Professional fees	5	25	5	5	5	5	25	75	1 036	1 111
Other / provision	-	-	-	-	-	-	-	-	-	-
	127	97	299	336	54	69	157	1 139	17 623	18 762
Increase (decrease) of cash	(121)	(97)	201	(336)	(48)	431	(157)	(127)	(4 738)	(4 865)
Cash (beginning)	653	532	435	636	300	252	684	653	5 391	5 391
Cash (end)	532	435	636	300	252	684	526	526	653	526
Less : Monitor's Trust Account	(362)	(76)	(76)	(76)	(76)	(76)	(76)	(76)	(362)	(76)
Available cash	170	359	560	224	176	608	450	450	291	450