

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”

**FIFTEENTH 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 fifteenth 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 April 26, 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 thirteen times.
- 1.2 The previous extension was obtained on March 26, 2021, extending the stay period until April 30, 2021.
- 1.3 Given the reports already issued by the Monitor, this fifteenth report discusses:
 - Section 2: Steps undertaken since the March 26, 2021 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 MARCH 16, 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 Relunched 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 Relunched SISP, changes in cash position, cash flow projections, interim financing draws, 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 “Relaunched SISP”). 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.** Following the bid deadline, the Monitor:
 - 3.2.1 Opened the submitted bids.
 - 3.2.2 Shared a copy of the submitted bids with NAL, IQ and CATL.
 - 3.2.3 Began its review of the bids.
 - 3.2.4 Sought additional clarifications in respect of the bids.
 - 3.2.5 Had discussions with NAL, IQ and CATL.
- 3.3 On March 4, 2021, the Monitor, with the support of the Secured Creditors, delivered a letter to all bidders providing them with another 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. Following this deadline, the Monitor:
 - 3.3.1 Opened the revised and/or confirmed bids.
 - 3.3.2 Shared a copy of the bids with NAL, IQ and CATL.
 - 3.3.3 Reviewed the bids.
 - 3.3.4 Sought certain clarifications in respect of the revised and/or confirmed bids.
 - 3.3.5 Had discussions with NAL, IQ, CATL and the bidders.
 - 3.3.6 With the support of the Secured Creditors, rejected certain bids in accordance with the SISP Procedures.
- 3.4 In a view to maximize the chances of success of the SISP, NAL is seeking an extension of the stay of proceedings until June 4, 2021, in order to, among other things:
 - 3.4.1 Continue discussions between the Monitor, the Secured Creditors and the bidders.
 - 3.4.2 Accept of one or more bids, if any.
 - 3.4.3 Review of restructuring options, including a draft plan of compromise based on the bids submitted, and

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- 3.4.4 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 5-week period ended April 17, 2021 (since the previous Order) as well as actual cash position for the 99-week period ended April 17, 2021 (since the Initial Order):

(In thousands of \$)	5-Week period ended April 17, 2021			99-Week period ended April 17, 2021
	Actual	Forecast	Variance	Actual
Receipts				
Accounts receivable			-	7
Interim Financing	-	500	(500)	9 500
Insurance premium reimbursements	-	-	-	772
GST/QST reimbursement	-	12	(12)	2 460
Other	75	-	75	146
	75	512	(437)	12 885
Disbursements				
Salaries and social benefits	172	176	4	7 840
Utilities	34	45	11	1 033
Insurance	-	-	-	3 142
Drilling and excavation costs	-	-	-	4 592
Maintenance, gas and other operation costs	114	622	508	250
Property taxes	25	25	-	1 058
Legal and monitor fees	23	45	22	-
	368	913	545	17 916
Increase (decrease) of cash	(293)	(401)	108	(5 031)
Cash (beginning)	653	653	-	5 391
Cash (end)	360	252	108	360
Less : Monitor's Trust Account	(76)	(112)	36	(76)
Available cash	284	140	108	284

- 4.3 Main variances can be explained as follows:
- 4.3.1 Interim financing: based on cash flow requirements.
- 4.3.2 Other receipts: unbudgeted reimbursement of a payment made to the insurance broker.
- 4.3.3 Maintenance, gas and other operation costs: timing variance due to the postponement of certain payments, including payments related to the osmose project membranes repair and CATL management fees.
- 4.3.4 Legal and Monitor fees: lower than budgeted due to a timing variance.

5. CASH FLOW PROJECTIONS

- 5.1 NAL prepared a cash flow for the period ending on June 5, 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 Relaunch SISP (excluding fees related to the closing of a potential transaction).
 - 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 in his trust account, on behalf of NAL.
- 5.6 The Interim Financing of \$10.5 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. June 4, 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.).

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- 6.1.2 NAL would have sufficient funds until June 4, 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 3.4 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 June 4, 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 June 5, 2021

(Unaudited)

(In thousands of \$) - Week ending :	2021-04-24	2021-05-01	2021-05-08	2021-05-15	2021-05-22	2021-05-29	2021-06-05	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>
Receipts								
Accounts receivable	-	-	-	-	-	-	-	-
Interim financing	500	-	-	-	500	-	-	1 000
Insurance reimbursements	-	-	-	-	-	-	-	-
Sales taxes reimbursements	6	-	-	6	-	-	-	12
Other	-	-	-	-	-	-	-	-
	506	-	-	6	500	-	-	1 012
Disbursements								
Salaries and social benefits	80	28	40	28	40	40	40	296
Utilities	8	-	-	35	8	-	-	51
Insurance	-	55	-	-	-	-	-	55
Maintenance and other operation costs	13	199	36	135	19	9	80	490
Property taxes	-	-	-	25	-	-	-	25
Professional fees*	30	15	10	10	10	10	20	105
Other / provision	1	-	-	-	-	1	-	2
	132	297	86	233	77	60	140	1 024
Increase (decrease) of cash	374	(297)	(86)	(227)	423	(60)	(140)	(12)
Cash (beginning)	360	735	438	351	125	548	488	360
Cash (end)	735	438	351	125	548	488	348	348
Less : Monitor's Trust Account	(76)	(76)	(76)	(76)	(76)	(76)	(76)	(76)
Available cash	659	362	275	49	472	412	272	272

99-Week period ended April 17, 2021	Total
Actual	
7	7
9 500	10 500
772	772
2 460	2 472
221	221
12 960	13 972
7 840	8 136
1 033	1 084
3 142	3 197
4 667	5 157
250	275
1 058	1 163
-	2
17 991	19 015
(5 031)	(5 043)
5 391	5 391
360	348
(76)	(76)
284	272

*excluding fees related to the closing of a potential transaction