

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"

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

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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 sixteenth 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 May 31, 2021

RAYMOND CHABOT INC.  
Monitor



Benoit Fontaine, CPA, CA, CIRP, LIT

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## **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 fourteen times.
- 1.2 The previous extension was obtained on April 30, 2021, extending the stay period until June 4, 2021.
- 1.3 Given the reports already issued by the Monitor, this sixteenth report discusses:
- Section 2: Steps undertaken since the April 30, 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 APRIL 30, 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 allow 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 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's two main secured creditors, Investissement Québec ("IQ") and Contemporary Amperex Technology Canada Limited ("CATL" and together with IQ, the "Secured Creditors") representatives and legal counsel regarding the 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 SISP (refer to section 3).

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### **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 qualified bids.
- 3.2.2 Reviewed the bids. Following the review of the bids by the Monitor, it appeared that all the bids contemplated an assumption and/or conversion and/or compromise of the debts of either one or both of NAL's Secured Creditors. None of the bids received would result in any meaningful distribution to NAL's unsecured creditors.
- 3.2.3 Prepared a summary of the bids received.
- 3.2.4 Shared a copy of the bids and the summary of the bids with NAL and the Secured Creditors, for their review and consideration and awaited to receive their respective positions.
- 3.2.5 Had discussions with NAL, the Secured Creditors and the bidders.
- 3.3 Given that the monitor had not received any tangible feedback from the Secured Creditors, on February 16, 2021, the Monitor, via letter, requested the Secured Creditors' respective position in respect of the bids received in the context of the Relaunched SISP.
- 3.4 Following discussions among the Monitor, NAL and the Secured Creditors, on March 4, 2021, the Monitor, with the support of the Secured Creditors, delivered a letter to all Qualified 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 at 5:00 p.m.**, the whole in accordance with the SISP Procedures. Following this deadline, the Monitor:
- 3.4.1 Opened the revised and/or confirmed Qualified Bids.
- The Monitor also received a bid (the “Inadmissible Bid”) from a Prospective Bidder (the “Inadmissible Bidder”) that neither participated nor submitted a bid in the SISP nor the Relaunched SISP.
- The Monitor also received confirmation of withdrawal of a bid from a Qualified bidder (the “Withdrawn Bid”). To that effect, there is currently a dispute over the return of the deposit made in connection with the Withdrawn Bid. One of the parties to the dispute has filed a *Requête pour obtenir remise d'un dépôt et pour déclaration d'abus* dated May 10, 2021. The Monitor will hold this deposit until a final order is rendered by the Court.
- 3.4.2 Reviewed the bids. Following the review of the bids by the Monitor, it appeared that all the bids continued to contemplate an assumption and/or conversion and/or compromise of the debts of either one or both of NAL's Secured Creditors. None of

the bids received would result in any meaningful distribution to NAL's unsecured creditors.

- 3.4.3 Sought certain clarifications in respect of the revised and/or confirmed bids.
- 3.4.4 Prepared a summary of the Qualified Bids and the Inadmissible Bid received.
- 3.4.5 Shared a copy and the summary with NAL and the Secured Creditors, for their review and consideration and awaited to receive their respective positions.
- 3.4.6 Had discussions with NAL, IQ, CATL and the bidders.
- 3.4.7 On April 12, 2021, the Monitor informed the Qualified Bidders that since the receipt of their revised, improved and/or confirmed bid, the Monitor had been in discussions with NAL's secured creditors and that the Secured Creditors had advised the Monitor that they required a short period of time to finalize their review of and discussions in respect of the bids.
- 3.4.8 On April 13, 2021, with the support of the Secured Creditors, the Monitor rejected certain qualified bids in accordance with Sections 9.8 and 13.2 of the SISP Procedures.

The Monitor also advised the Inadmissible Bidder that its bid was inadmissible and has not been considered by the Monitor in the context of the SISP. The Monitor also advised the Inadmissible Bidder that even if its bid had been validly submitted in the context of the SISP, which was not the case, its bid would not have been selected as a successful bid and would have been rejected by the Monitor.

Thus, two bids remained open for review by the Monitor and the Secured Creditors.

- 3.5 IQ (on May 20, 2021) and CATL (on May 22, 2021) shared their respective position on the two remaining bids with the Monitor. Thus, with the support of the Secured Creditors, the Monitor accepted a Successful Bid (the "Accepted Bid") in accordance with the SISP Procedures.
- 3.6 IQ informed the Monitor that it had informed the other Qualified Bidder (the "Unsuccessful Bidder") of its position. Consequently, on May 28, 2021, with the support of the Secured Creditors, the Monitor rejected the Unsuccessful Bidder's bid, in accordance with Section 9.8 and 13.2 of the SISP.
- 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 July 2, 2021, in order to, among other things:
  - 3.7.1 Continue discussions between the Monitor, the Secured Creditors and the selected bidder pursuant to the Accepted Bid.
  - 3.7.2 Finalize an agreement pursuant to the Accepted Bid.
  - 3.7.3 Review of restructuring options, including a draft plan of compromise, if the case may be.
  - 3.7.4 Preparation and hearing before the court of a motion to move forward in accordance with the SISP and the results in respect thereof. The proposed transaction pursuant to the Accepted Bid 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 4-week period ended May 15, 2021 (since the previous Order) as well as actual cash position for the 103-week period ended May 15, 2021 (since the Initial Order):

(In thousands of \$)	4-Week period ended May 15, 2021			103-Week period ended May 15, 2021
	Actual	Forecast	Variance	Actual
<b>Receipts</b>				
Accounts receivable			-	7
Interim Financing	500	500	-	10 000
Insurance premium reimbursements	-	-	-	772
GST/QST reimbursement	21	13	8	2 481
Other	-	-	-	221
	<b>521</b>	<b>513</b>	<b>8</b>	<b>13 481</b>
<b>Disbursements</b>				
Salaries and social benefits	196	176	(20)	8 037
Utilities	75	43	(32)	1 108
Insurance	9	55	46	3 151
Drilling and excavation costs	-	-	-	4 834
Maintenance, gas and other operation costs	167	384	217	275
Property taxes	25	25	-	1 124
Legal and monitor fees	66	65	(1)	-
	<b>538</b>	<b>748</b>	<b>210</b>	<b>18 529</b>
<b>Increase (decrease) of cash</b>	<b>(17)</b>	<b>(236)</b>	<b>218</b>	<b>(5 048)</b>
Cash (beginning)	360	360	-	5 391
<b>Cash (end)</b>	<b>343</b>	<b>125</b>	<b>218</b>	<b>343</b>
Less : Monitor's Trust Account	(76)	(76)	-	(76)
<b>Available cash</b>	<b>267</b>	<b>49</b>	<b>218</b>	<b>267</b>

- 4.3 Main variances can be explained as follows:
- 4.3.1 Insurance: temporary timing variance.
- 4.3.2 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.

#### 5. CASH FLOW PROJECTIONS

- 5.1 NAL prepared a cash flow for the period ending on July 3, 2021 (see Appendix D).
- 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.

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- 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 facility.
  - 5.5.2 Sales taxes and DAS reimbursements: reimbursement by Revenu Quebec of pre-filing deduction at source overpayment.
  - 5.5.3 Salaries, vacations and social benefits: Based on 14 full-time employees to ensure maintenance of facilities.
  - 5.5.4 Utilities: based on historical consumption, and includes energy required for the Osmose Project.
  - 5.5.5 Property and other insurance: Based on prior year insurance policy payment schedule. Property and Liability insurance policy expires on July 31, 2021.
  - 5.5.6 Maintenance and other operations costs: Includes clean-up and maintenance, water treatment, IT related expenses, osmosis project membrane repair, CATL management fees, etc.
  - 5.5.7 Property taxes: Based on an agreement with the city of La Corne for fiscal year 2020 taxes. There is no agreement for fiscal year 2021 municipal taxes.
  - 5.5.8 Professional fees: based on recent historical fees and estimate of professional fees (Monitor, counsel to NAL and counsel to the Monitor) required for the closing process pursuant to the Accepted Bid proposed transaction.
  - 5.5.9 No capital or interest payments on IQ's/CATL's loans and interim financing.
  - 5.5.10 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 currently authorized Interim Financing Facility of \$10,500,000, should be enough to cover conservatory measures, fees and other expenses until the end of the additional stay period requested in this report, i.e. July 2, 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 July 2, 2021.
  - 6.1.3 NAL, CATL and IQ have agreed on the continuation of the SISP and the related procedures to allow, among others, the steps described at paragraph 3.7 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 July 2, 2021 for NAL to complete its Relunched SISP and/or to continue to carry out its restructuring plan.

## APPENDIX I



North American Lithium Inc.

DRAFT

Cash flow projections for the period ending July 3, 2021

(Unaudited)

(In thousands of \$) - Week ending :	2021-05-22	2021-05-29	2021-06-05	2021-06-12	2021-06-19	2021-06-26	2021-07-03	Total	103-Week period ended May 15, 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	
<b>Receipts</b>										
Accounts receivable	-	-	-	-	-	-	-	-	7	7
Interim financing	-	-	-	500	-	-	-	500	10 000	10 500
Insurance reimbursements	-	-	-	-	-	-	-	-	772	772
Sales taxes and DAS reimbursements	168	774	-	6	-	-	6	954	2 481	3 435
Other	-	-	-	-	-	-	-	-	221	221
	<b>168</b>	<b>774</b>	<b>-</b>	<b>506</b>	<b>-</b>	<b>-</b>	<b>6</b>	<b>1 454</b>	<b>13 481</b>	<b>14 935</b>
<b>Disbursements</b>										
Salaries and social benefits	40	40	40	28	40	40	40	268	8 037	8 305
Utilities	8	-	-	35	8	-	-	51	1 108	1 158
Insurance	-	55	-	-	-	-	-	55	3 151	3 206
Maintenance and other operation costs	195	79	145	71	11	38	34	573	4 834	5 407
Professional fees	25	100	100	100	50	25	15	415	1 124	1 539
Property taxes (2020)	-	-	-	-	175	-	-	175	275	450
Other / provision	2	2	2	2	2	2	2	14	-	14
	<b>270</b>	<b>276</b>	<b>287</b>	<b>236</b>	<b>286</b>	<b>105</b>	<b>91</b>	<b>1 550</b>	<b>18 529</b>	<b>20 079</b>
Increase (decrease) of cash	(102)	498	(287)	270	(286)	(105)	(85)	(96)	(5 048)	(5 144)
Cash (beginning)	343	241	739	452	722	436	331	343	5 391	5 391
<b>Cash (end)</b>	<b>241</b>	<b>739</b>	<b>452</b>	<b>722</b>	<b>436</b>	<b>331</b>	<b>247</b>	<b>247</b>	<b>343</b>	<b>247</b>
Less : Monitor's Trust Account	(76)	(76)	(76)	(76)	(76)	(76)	(76)	(76)	(76)	(76)
<b>Available cash</b>	<b>165</b>	<b>663</b>	<b>376</b>	<b>646</b>	<b>360</b>	<b>255</b>	<b>171</b>	<b>171</b>	<b>267</b>	<b>171</b>