

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” or the “Debtor”

-and-

RAYMOND CHABOT INC.,
Benoit Fontaine, CPA, CA, CIRP, LIT

Hereinafter referred to as the “Monitor”

**SEVENTEENTH 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 seventeenth report on NAL’s business and financial affairs as part of the filing of a Motion for the issuance of an:

- Approval and vesting Order,
- Sixth Amended and Restated Initial Order to:
 - o extend the stay period; and
 - o increase of the interim financing facility and the interim lender charge.

Signed in Montreal, on June 11, 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 fifteen times. The previous extension was obtained on June 4, 2021, extending the stay period until July 2, 2021.
- 1.2 The purpose of this report is to provide the Court with:
- An exhaustive overview of the Sale and Investor Solicitation Process (the "SISP") which resulted in the acceptance of a bid;
 - A description of the accepted bid;
 - A description of the structure of the proposed transaction;
 - Other information regarding the extension of the stay period and the increase of the interim financing facility.
- 1.3 This report should be read in conjunction with our previous reports. Thus, given the reports already issued by the Monitor, this seventeenth report specifically discusses the following:
- Section 2: Steps undertaken since the June 4, 2021 Order;
 - Section 3: The Sale and Investor Solicitation Process;
 - Section 4: The Accepted Bid;
 - Section 5: The structure of the Proposed Transaction;
 - Section 6: The benefits of the Accepted Bid and the Proposed Transaction for stakeholders;
 - Section 7: Changes in cash position;
 - Section 8: Cash flow projections;
 - Section 9: Additional Interim financing;
 - Section 10: Conclusion and recommendations.

2. STEPS UNDERTAKEN SINCE THE JUNE 4, 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).

3. THE SALE AND INVESTOR SOLICITATION PROCESS

Background

- 3.1 As explained in our previous reports, in September 2019, following a breakdown of the negotiations between the shareholders and IQ to recapitalize the Debtor, the Secured Creditors agreed that a court approved SISP should be implemented.
- 3.2 Such process was to be carried out by the Monitor, with the assistance of NAL's management, employees and legal advisers, and was to allow for NAL's assets and property to be marketed and investors and/or potential buyers to be solicited.
- 3.3 The Secured Creditors thereafter agreed on a Procedures of the SISP document (the "SISP Procedures"). The SISP Procedures sets out the manner in which bids and proposals will be solicited from interested parties, any successful bid will be selected, and the Court's approval of any successful bid will be sought. The main components of the SISP Procedures can be summarized as follows:
 - 3.3.1 Solicitation process of interested parties, including teaser, data room, template asset purchase agreement, SISP terms and conditions, etc.;
 - 3.3.2 Participation requirements to be qualified as a qualified bidder;
 - 3.3.3 Due diligence process;
 - 3.3.4 Submission criteria of qualified bids. Deadline to submit a qualified bid was initially set to **January 21, 2020** and thereafter extended to **February 21, 2020**;
 - 3.3.5 Assessment criteria of qualified bids;
 - 3.3.6 Auction process, if deemed necessary or advisable by the Monitor;
 - 3.3.7 Approval motion.
- 3.4 The SISP, along with the SISP Procedures were ratified by the Court on September 16, 2019.

Implementation of the SISP

- 3.5 Thereafter, the Monitor implemented the SISP, with the assistance of NAL's management, employees and legal advisers, which included, among others, the following steps:
- 3.5.1 For the period from September 16 to October 7, 2019, preparation of the following documents:
- A listing of prospective purchasers and investors ("Prospective Bidders") in collaboration with shareholders and secured creditors;
 - A Teaser Letter summarizing the potential acquisition or investment opportunity;
 - A data room, with continuous updating;
 - A Confidentiality Agreement and a Written Acknowledgement (confirming receipt of the SISP approval Order and of the SISP Procedures);
 - A Template Purchase Agreement (to be used by Prospective Bidders);
 - A process letter summarizing the SISP and the SISP Procedures.
- 3.5.2 For the period from October 8, 2019 to February 21, 2020:
- Solicitation, including follow-ups, among the Prospective Bidders (137 Teaser Letters were distributed to strategic and financial Prospective Bidders);
 - Coordinate execution of the Confidentiality Agreement and a Written Acknowledgement (13 Confidentiality Agreements and Written Acknowledgments were executed);
 - Qualification of Prospective Bidders. i.e. Review of information/requirements to be qualified as a qualified bidder (12 Prospective Bidders qualified as Qualified Bidders);
 - Assisting Qualified Bidders with their due diligence. i.e. Answering questions and providing additional information;
 - Meetings, discussions and site visits with Prospective Bidders;
 - At the request of certain Prospective Bidders and with the support of the Secured Creditors, the Monitor extended the bid deadline to February 21, 2020.
- 3.6 On February 21, 2020, following the extended bid deadline, the Monitor opened the five (5) submitted bids, reviewed them, prepared a summary of the bids received and requested clarifications from bidders. The summary of the bids is presented in **Appendix A** under seal for the benefit of the Court.
- 3.7 The bids, the summary of the bids and the clarifications obtained were shared with the Secured Creditors for their review and consideration, and awaited to receive their respective positions.
- 3.8 All the bids contemplated an assumption and/or conversion and/or compromise of the debts of either one or both of the Secured Creditors, and therefore, no bid was capable of being consummated without the support of the Secured Creditors. None of the bids received would result in any material distribution to NAL's unsecured creditors.
- 3.9 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.

- 3.10 Consequently, the Monitor advised all bidders, from March 5 to September 23, 2020, that it indefinitely extended the time period at paragraph 9.4 of the SISP Procedures. The Monitor also requested, from March 5 to September 23, 2020, that all bidders renew their bids. The last request was made on September 23, 2020, when the Monitor requested that all bidders renew their bids and set the expiration date of their bids to October 31, 2020.

Implementation of the Relunched SISP

- 3.11 On September 23, 2020, the Monitor received certain unsolicited revised bids.
- 3.12 In this context, on November 11, 2020, 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 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 had expressed an interest in the SISP and which had executed a confidentiality agreement with an opportunity to confirm, submit, revise and/or improve a bid. (the "Relunched SISP").
- 3.13 The Bid Deadline of the Relunched SISP, as agreed with the Secured Creditors, was set to **January 15, 2021 at 5:00 p.m.**
- 3.14 On January 15, 2021, following the bid deadline, the Monitor:
- 3.14.1 Opened the six (6) submitted qualified bids;
 - 3.14.2 Reviewed the bids. 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, and therefore, no bid was capable of being consummated without the support of the Secured Creditors. None of the bids received would result in any material distribution to NAL's unsecured creditors;
 - 3.14.3 Prepared a summary of the bids received. The summary of the bids is presented in **Appendix B under seal** for the benefit of the Court;
 - 3.14.4 Requested clarifications from bidders;
 - 3.14.5 Shared a copy of the bids, the summary of the bids and clarifications obtained with NAL and the Secured Creditors, for their review and consideration and awaited to receive their respective positions;
 - 3.14.6 Had discussions with NAL, the Secured Creditors and the bidders;
- 3.15 Given that the Monitor had not received any feedback from the Secured Creditors, on February 16, 2021, the Monitor requested the Secured Creditors' respective position in respect of the bids received in the context of the Relunched SISP.
- 3.16 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 six (6) Qualified Bidders who submitted a bid as part of the Relunched SISP, 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.

3.17 Following this deadline, the Monitor:

3.17.1 Opened the five (5) 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 Relunched 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.

3.17.2 Reviewed the bids. 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 and therefore, no bid was capable of being consummated without the support of the Secured Creditors. None of the bids received would result in any material distribution to NAL's unsecured creditors.

3.17.3 Prepared a summary of the Qualified Bids and the Inadmissible Bid received. The summary is presented in **Appendix C** under seal for the benefit of the Court.

3.17.4 Sought certain clarifications in respect of the revised and/or confirmed bids.

3.17.5 Shared a copy of the bids, the summary of the bids and the clarifications obtained with NAL and the Secured Creditors, for their review and consideration and awaited to receive their respective positions.

3.17.6 Had discussions with NAL, IQ, CATL and the bidders.

3.17.7 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.

Outcome of the SISP

3.18 On April 13, 2021, with the support of the Secured Creditors, the Monitor rejected three (3) Qualified Bids (the "Rejected Bids") in accordance with sections 9.8 and 13.2 of the SISP Procedures.

3.19 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.

3.20 Thus, two (2) bids remained open for review by the Monitor and the Secured Creditors, namely:

3.20.1 Sayona Quebec Inc. ("SYQ") bid (the "Accepted Bid"). This bid was not conditional on due diligence or confirmation of financing. However, the Accepted Bid included a conditional option (the "Conditional IQ Option") subject to the preference of IQ for an alternative transaction structure and the reaching of an agreement with IQ for the assumption of its secured senior and subordinated debts, pursuant to terms and conditions satisfactory to SYQ. Refer to section 4 for further detailed on the Accepted Bid;

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- 3.20.2 Another Qualified Bidder's bid which we will refer to as Bidder B for confidentiality purposes. This bid was conditional, among other things, on a confirmation of financing. Bidder B had submitted a bid at each of the above-mentioned stages of the SISP. At the time of their reception, these submitted bids were all subject to confirmation of financing.
- 3.21 Since each of these two bids contemplated either a compromise and/or assumption of a portion of the Secured Creditors' secured debts, the Monitor sought the support of the Secured Creditors that it could proceed with one of the transactions contemplated therein.
- 3.22 The Monitor was aware that IQ had initiated discussions with SYQ in regards of the Conditional IQ Option of the Accepted Bid.
- 3.23 On April 30, 2021, a Qualified Bidder, who we will refer to as Bidder C for confidentiality purposes, who had submitted one of the Rejected Bids, submitted an improved unsolicited bid to the Monitor (the "Second Inadmissible Bid"). The Monitor shared the Second Inadmissible Bid with the Secured Creditors. Given that the deadline to submit a final revised and improved bid was April 6, 2021, the Second Inadmissible Bid was deemed inadmissible by the Monitor in the context of the SISP.
- 3.24 On May 12, 2021, the Monitor received confirmation from Bidder B that it had secured the full financing in the support of its bid, along with a copy of commitment letters. To that effect:
- 3.24.1 On May 12, 2021, the Monitor shared the confirmation and commitment letters with the Secured Creditors;
- 3.24.2 On May 14, 2021, the Monitor, in consultation with the Secured Creditors, sought certain clarifications in respect of the Bidder B bid and the confirmation of financing. On May 17, 2021, the Monitor shared the obtained clarifications with the Secured Creditors.
- 3.25 On May 20, 2021, IQ confirmed to the Monitor and CATL that it had entered into an agreement with SYQ in respect of the Conditional IQ Option and invited the Monitor to implement the transaction contemplated in SYQ's Accepted Bid without delay. On the same day, IQ also informed the Monitor that it had informed Bidder B of its position.
- 3.26 On May 21, 2021, CATL communicated its position on the Accepted Bid and on the Bidder B bid to the Monitor, which can be summarized as follow:
- 3.26.1 CATL is of the view that the transaction contemplated pursuant to the Bidder B bid should not be disregarded as it *"provides for a full recovery (capital and interest) for the senior ranking debts of both IQ and CATL"*;
- 3.26.2 CATL is sensitive to the fact that IQ wishes to continue the NAL project with a new partner, namely SYQ. Provided that its senior ranking debt is paid in full at closing (in capital and interest totaling approximately \$47 million), CATL would support IQ's decision to move forward with the transaction contemplated in SYQ's Accepted Bid. Otherwise, CATL will be supportive of the Bidder B bid.
- 3.27 On the same day (May 21, 2021), SYQ informed the Monitor that SYQ and its shareholders concluded a binding term sheet with IQ (the "SYQ-IQ Assumption Agreement") regarding the Conditional IQ Option (refer to section 4 for further details).
- 3.28 On May 22, 2021, CATL informed the Monitor that it was now prepared to support the transaction contemplated pursuant to SYQ's Accepted Bid under the Conditional IQ Option,

considering that CATL was given satisfactory confirmation that its senior secured debt (approximately \$47 million) was going to be paid in full, in capital and interest, at closing.

3.29 Consequently, on May 28, 2021, with the support of the Secured Creditors, the Monitor:

3.29.1 Rejected Bidder B’s bid in accordance with section 9.8 and 13.2 of the SISP;

3.29.2 Accepted SYQ’s Accepted Bid under the Conditional IQ Option.

4. THE ACCEPTED BID

4.1 A copy of SYQ’s Accepted Bid is presented in **Appendix D** under seal for the benefit of the Court. The contemplated transaction of the Accepted Bid is to be achieved through a reverse vesting order type transaction structure (the “RVO”, see section 5 for further detail on the structure of the proposed transaction).

4.2 The assumed assets under the Accepted Bid are essentially all the assets owned by NAL excluding cash necessary to fund the costs to complete the CCAA proceedings and the proceeds of any GST-HST-QST reimbursement received by NAL shown on an internal balance sheet of NAL as of November 30, 2020.

4.3 The Accepted Bid provided for 2 transaction options:

4.3.1 The first option is valued to approximately \$105 million and provides for:

- \$60 million in cash;
- \$20 million convertible note issued by Sayona Mining Limited (“SYA”), the majority shareholder of SYQ, repayable within three years and secured by SYA’s 75% interest in SYQ;
- The assumption of the certain liabilities, including the Ministère de l’Énergie et des Ressources naturelles du Québec (“MERN”) guarantees (estimated at approximately \$25.6 million).

Under this transaction structure, the consideration paid would have been distributed to each NAL’s creditors in accordance with its rank and its rights;

4.3.2 The Conditional IQ Option. As discussed in section 3 of this report, the Conditional IQ Option was subject to the preference of IQ for an alternative transaction structure and the reaching of an agreement with IQ for the assumption of its senior and subordinated secured debts (the “IQ Assumed Debt”).

The face value of the Conditional IQ Option is valued to approximately **\$196 million** as at the date of this report, as summarized in the following table:

<i>(unaudited, in \$000)</i>	Cash	Assumption	Total
Repayment of IQ’s Interim Financing Facility	10 948	-	10 948
Repayment of CATL senior secured debt	47 000	-	47 000
Repayment of outstanding municipal taxes*	413	-	-
Assumption of IQ’s senior secured debt	-	48 898	48 898
Assumption of IQ’s subordinated secured debt	-	63 000	63 000
	58 361	111 898	169 846
Assumption of the MERN Guarantees	-	25 600	25 600
Assumption of construction legal hypothecs	-	753	753
	58 361	138 251	196 199

*Amount could vary and is subject to closing date.

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- 4.3.3 In summary, the Conditional IQ Option provides for:
- a) An amount of cash sufficient to:
 - i. repay in full (principal, interest and fees) IQ's Interim Financing Facility at closing (estimated at **\$10 million** in principal and **\$948,000** in interest and fees as of the date of this report);
 - ii. Repay in full CATL's senior secured debt in the amount of \$47 million (\$40 million in principal and approximately \$7 million in interest);
 - There was a certain ambiguity in the language of the Accepted Bid regarding the amount offered to CATL for its senior secured debt. Indeed, the figures presented a payment of \$40 million, but the language of the Accepted Bid mentioned that the cash consideration would be sufficient to "*repay ...CATL's secured debt, in full*", i.e. approximately \$47 million in capital and interest. Following a request for clarifications made by the Monitor to SYQ, SYQ confirmed that its bid would repay CATL in full, i.e. approximately \$47 million;
 - The same ambiguity was also noted in Bidder B's bid, and clarifications were also requested to that effect from Bidder B. The latter thereafter confirmed that the amount offered to CATL represented a full payment of its senior secured debt, i.e. approximately \$47 million;
 - iii. Repay fiscal year 2021 municipal taxes arrears on closing date (estimated to \$413,000 as at closing date);
 - b) The assumption of the following liabilities:
 - i. IQ Assumed Debt, approximately **\$99 million** in principal plus **\$12.9 million** in interest, in full;
 - ii. All liabilities relating to the assumed assets accruing and arising from and after the closing date;
 - iii. All environmental liabilities, including the MERN guarantees (estimated at approximately **\$25.6 million**);
 - iv. Construction legal hypothecs (estimated to \$753,000), subject to the validity of the claims and of its hypothec;
 - v. All liabilities under the assumed contracts, permits and licenses accruing and arising from and after the closing date;
 - vi. All liabilities with respect to assumed employees;
 - vii. Cure costs.
- 4.4 As presented in section 3 of this report, the Conditional IQ Option was exercised by IQ. SYQ and IQ confirmed to the Monitor that it had entered into the SYQ-IQ Assumption Agreement providing for the assignment of the IQ Assumed Debt. Despite a request from the Monitor, SYQ and IQ did not share the details or a copy of the SYQ-IQ Assumption Agreement with the Monitor.
- 4.5 The Accepted Bid provided for a deposit in the amount of \$4 million.
- 4.6 The Accepted Bid is conditional, among others, on the following:
- 4.6.1 Agreement between SYQ and IQ regarding the assumption of IQ's senior and subordinated secured debt;

- 4.6.2 The completion of a pre-closing reorganization, i.e. a Reverse Vesting Order type transaction structure (see section 5 for further detail on the structure of the proposed transaction);
- 4.6.3 The obtention of the Competition Act and the Investment Canada Act clearances;
- 4.6.4 All shareholder approvals required by SYA under the Australian Securities Exchange Limited ("ASX"), and all authorizations or other approvals from the ASX required to effect the transaction;
- 4.6.5 The issuance of an Approval and Vesting Order.
- 4.7 The Accepted Bid is not conditional on due diligence or the confirmation of financing.

5. THE STRUCTURE OF THE PROPOSED TRANSACTION

- 5.1 As mentioned in section 4 of this report, the proposed transaction of the Accepted Bid is to be achieved through an RVO, which can be summarized as follow:
- 5.1.1 The incorporation of a corporation by NAL ("ResidualCo") in which all the excluded assets, excluded contracts, excluded employees, and excluded liabilities, as defined in the contemplated share purchase agreement, will be transferred into;
- 5.1.2 The purchase by 9444-1169 Québec Inc. (the "Purchaser"), a newly incorporated wholly-owned subsidiary of SYQ of all the issued and outstanding shares of NAL.
- 5.1.3 Upon closing of the proposed transaction:
- NAL will no longer be subject to the CCAA proceedings and will have emerged from same; and
 - ResidualCo will replace NAL as debtor.
- 5.2 The RVO structure allows for an efficient and quick closing of the proposed transaction giving that all permits/licences/claims remain in place and thus, the proposed transaction does not require the transfer or issuance of NAL mining leases, mining claims, environmental permits, and other assumed licences, permits and agreements. The RVO structure also allows for the maximization of the preservation of certain tax attributes available to NAL.
- 5.3 SYQ has advised the Monitor that it is prepared to achieve closing of the proposed transaction in accordance with the following indicative timeline:

Milestone	Target Date
Acceptance of SYQ Proposal	Completed
Finalization and entering into SPA	Week of June 14, 2021
Issuance of Approval and Vesting Order	June 18, 2021 or any other date fixed by the Court
Notice of meeting to the ASX	Promptly after the date of the Approval and Vesting Order (expected in the week of June 21 st , 2021)

Filing to the Competition Bureau and filing of Investment Canada notification form	Promptly after the date of the Approval and Vesting Order (expected in the week of June 21st, 2021)
Notice of meeting to the SYA shareholders	10 days after notice of meeting to the ASX (expected in the week of July 5 th , 2021)
End of the expected administrative 45-day review period under the Competition Act (clearance may be received earlier), and expiry of the 45-day review period under the Investment Canada Act	45 days after filing to the Competition Bureau and filing of Investment Canada notification form (expected in the week of August 2 nd , 2021)
Obtaining of SYA shareholders approval	45 days following the notice of meeting to the SYA shareholders (expected in the week of August 16 th , 2021)
Closing and implementation of the Proposed Transaction	Promptly after the meeting of all the Closing conditions (expected in the week of August 16 th , 2021) (Outside Date being 150 days after the date of this Motion)

6. THE BENEFITS OF THE ACCEPTED BID AND THE PROPOSED TRANSACTION FOR STAKEHOLDERS

6.1 The benefits of the Accepted Bid and the proposed transaction for stakeholders can be summarized as follow:

6.1.1 Secured Creditors:

- CATL secured debt (estimated to \$47 million as at the date of this report): paid in full, in cash, through the proposed transaction;
- IQ:
 - o Interim Financing Facility: balance at closing paid in full, in cash (estimated to \$11 million in principal, interest and fees as at the date of this report);
 - o IQ senior and subordinated secured debt (approximately \$112 million in principal and interest as of the date of this report): fully assumed;

6.1.2 MERN guarantee: fully assumed through the proposed transaction (\$25.6 million);

6.1.3 Employees: Retention of substantially all the current employees. The resumption of the NAL project should also allow the hiring of numerous additional employees;

6.1.4 Unsecured Creditors and suppliers: The proposed transaction does not provide a dividend to unsecured creditors. However, the proposed transaction should enable the resumption of the NAL project, and therefore should allow creditors/suppliers to benefit from conducting future business with the restructured NAL for the development and finalization of the mine project;

6.1.5 Creditors holding a legal construction hypothec: fully assumed subject to the validity of the claims and of its securities;

6.1.6 City of La Corne (municipal taxes): fully paid on closing;

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- 6.1.7 All creditors of NAL, unless their claims towards NAL are assumed by SYQ, will become creditors of ResidualCo upon closing of the Proposed Transaction;
- 6.1.8 NAL's shareholders (in their capacity as shareholders) will not receive any payments for, or distributions on, their shares in connection with the CCAA proceedings.
- 6.2 As mentioned in the Monitor's previous reports, given the SISP, the outcome of the SISP and the value of NAL's assets, a sale or liquidation of these assets in a bankruptcy context would have negative consequences and would likely not result in a better outcome for all of the above-mentioned stakeholders.

7. CHANGES IN CASH POSITION

- 7.1 In accordance with the CCAA, we monitored the business and financial affairs of NAL. Given the short amount of time elapsed since the previous stay extension, the below analysis is an extract from our previous report dated May 30, 2021.
- 7.2 The table below shows a comparison of actual and projected changes in cash position for the 4-week period ended May 15, 2021 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
Receipts				
Accounts receivable			-	7
Interim Financing	500	500	-	10 000
Insurance premium reimbursements	-	-	-	772
GST/QST reimbursement	21	13	8	2 481
Other	-	-	-	221
	521	513	8	13 481
Disbursements				
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)	-
	538	748	210	18 529
Increase (decrease) of cash	(17)	(236)	218	(5 048)
Cash (beginning)	360	360	-	5 391
Cash (end)	343	125	218	343
Less : Monitor's Trust Account	(76)	(76)	-	(76)
Available cash	267	49	218	267

- 7.3 Main variances can be explained as follows:
- 7.3.1 Insurance: temporary timing variance;
- 7.3.2 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.

8. CASH FLOW PROJECTIONS

- 8.1 NAL prepared a cash flow for the period ending on September 4, 2021 (see **Appendix E**).
- 8.2 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.
- 8.3 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.
- 8.4 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.
- 8.5 The projections consider the plant shutdown and are based on specific assumptions:
 - 8.5.1 Interim financing: Based on cash flow requirements and total projected availability of the interim financing facility;
 - 8.5.2 Sales taxes and DAS reimbursements: reimbursement by Revenu Quebec of pre-filing deduction at source overpayment;
 - 8.5.3 Salaries, vacations and social benefits: Based on 14 full-time employees to ensure maintenance of facilities;
 - 8.5.4 Utilities: based on historical consumption, and includes energy required for the Osmose Project;
 - 8.5.5 Property and other insurance: Based on prior year insurance policy payment schedule. Property and Liability insurance policy expires on July 31, 2021;
 - 8.5.6 Maintenance and other operations costs: Includes clean-up and maintenance, water treatment, IT related expenses, osmosis project membrane repair, CATL management fees, etc.;
 - 8.5.7 Property taxes: Based on an agreement with the city of La Corne for fiscal year 2020 taxes;
 - 8.5.8 Professional fees: estimate of professional fees (Monitor, counsel to NAL and counsel to the Monitor) required for the closing of the Accepted Bid proposed transaction;
 - 8.5.9 Reserves: reserves for professional fees and any unpaid salaries, vacations or severance that might be payable to unassumed employees pursuant to the Accepted Bid;
 - 8.5.10 No capital or interest payments on IQ's/CATL's loans and interim financing;
 - 8.5.11 Monitor's Trust Account: The Monitor holds the proceeds of a foreign exchange gain in his trust account, on behalf of NAL.
- 8.6 On June 10, 2021, based on the above-mentioned cash-flow projections, IQ advised the Monitor that subject to obtaining all final internal authorizations it would increase its Interim Financing facility by an additional amount of \$2 million (for a total of \$12.5 million) to support NAL's additional cash-flow requirements until September 4, 2021, hence covering the sought extension period required to close the proposed transaction.

- 8.7 The Interim Financing of \$12.5 million, which \$2 million is subject to the authorization of the Court, 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. September 4, 2021.

9. ADDITIONAL INTERIM FINANCING

- 9.1 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 \$2 million to support NAL's cash-flow requirements until September 4, 2021 in order to close the Accepted Bid proposed transaction, under the same terms and conditions as its original interim financing.
- 9.2 In view of the cash flow projections, NAL requires Additional Interim Financing for, among other things:
- 9.2.1 Conservatory measures;
 - 9.2.2 Continue and finalize the SISP, including the closing of the Accepted Bid;
 - 9.2.3 Other restructuring activities.
- 9.3 Considering, the following, among other things:
- 9.3.1 Secured creditors affected by the security or charge under the proposed interim financing support such financing;
 - 9.3.2 NAL's business and financial affairs will still be managed properly, with the assistance of the Monitor to assist with and supervise operations;
 - 9.3.3 The loan will enhance the prospect of finalizing the SISP, including the closing of the Accepted Bid, and the nature and value of NAL's property would be maintained;
 - 9.3.4 The additional interim financing will enable NAL to cover conservatory expenses and fees to maintain the value of NAL's property;
 - 9.3.5 The Purchaser will reimburse the integral amount owing under the Interim Financing Facility concurrently with the closing of the proposed transaction.
- 9.4 Finally, no unsecured creditor will be materially prejudiced as a result of the security or charge requested.
- 9.5 The Monitor is of the opinion that stakeholders will benefit from the granting of the Additional Interim Financing.

10. CONCLUSION AND RECOMMENDATIONS

The SISP, the Accepted Bid and the proposed transaction

- 10.1 Ultimately, given that none of the bids received in the context of the SISP or the Relaunched SISP provided for an integral cash repayment of all amounts owed to the Secured Creditors (senior and subordinated secured debts), no bid could be selected as a successful bid under the SISP without the support of the Secured Creditors. Furthermore, none of the bids received would result in any material distribution to NAL's unsecured creditors.

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- 10.2 Furthermore, with respect to the factors to be considered by the Court in approving the Accepted Bid, the proposed transaction, and the structure of the proposed transaction, the Monitor notes, in particular, that:
- 10.2.1 An exhaustive sales process was approved and conducted by the Monitor to maximize the value of NAL's assets;
- 10.2.2 The consideration pursuant to the Accepted Bid is fair and reasonable in the circumstances;
- 10.2.3 The Accepted Bid allows for:
- A full cash reimbursement of the Interim Financing Facility, which will include all costs related to the closing of the proposed transaction, other amounts secured under the Court charges and the CATL senior secured debt;
 - An assumption of IQ's senior and subordinated secured debt, in full;
- 10.2.4 Construction legal hypothecs: fully assumed by SYQ subject to the validity of the claim and of its security;
- 10.2.5 Unpaid municipal taxes: fully paid at closing;
- 10.2.6 The proposed transaction contemplated in the Accepted Bid represents the only transaction that obtained support of the Secured Creditor and is acceptable to them. No other bid received by the Monitor is capable of being accepted and consummated without the support and consent of the Secured Creditors. Therefore, the Accepted Bid is the only viable transaction in the circumstances.
- 10.2.7 Based on a summary of SYQ's business plan, the Monitor understands that the proposed transaction should allow the resumption of the NAL project and create a long-term viable project including the transformation of the spodumene in commercial facilities located in Québec. The latter should allow:
- Significant job creation for the Abitibi region;
 - Creditors/suppliers to benefit from conducting future business with the restructured NAL for the development and finalization of the mine project;
- 10.2.8 A sale or liquidation of NAL's assets in a bankruptcy context would have negative consequences and would likely not result in a better outcome for all the stakeholders.
- 10.3 Given the above and this report, the Monitor is of the view that the proposed transaction contemplated in the Accepted Bid is in the best interests of NAL's stakeholders, should be approved, and an Approval and vesting Order should be granted by the Court.

Extension of the stay of proceedings and the Interim Financing Facility

- 10.4 In a view to maximize the chances of success of the SISP and to complete the necessary steps to close the Accepted Bid contemplated transaction, NAL is seeking an extension of the stay of proceedings until September 4, 2021, in order to, among other things, finalize the Accepted Bid proposed transaction.
- 10.5 Considering, the following, among other things:
- 10.5.1 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.);
- 10.5.2 NAL would have sufficient funds until September 4, 2021, subject to the authorization of the Court of the additional Interim Financing Facility amount;

- 10.5.3 NAL, CATL and IQ have agreed on the continuation and finalization of the SISP pursuant to the Accepted Bid proposed transaction and the related procedures;
- 10.5.4 Stakeholders will not be prejudiced by the requested extension of the stay.
- 10.6 The Monitor is of the opinion that stakeholders may benefit from the following:
 - 10.6.1 The Additional Interim Financing;
 - 10.6.2 The extension and continuity of the SISP, as well as the contemplated closing of the Accepted Bid proposed transaction;
 - 10.6.3 The additional stay period requested until September 4, 2021 for NAL to complete its SISP and/or to continue to carry out its restructuring plan.

APPENDIX A
SISP Bid Summary
(Under seal)

APPENDIX B

Relaunched SISP Bid Summary

(Under seal)

APPENDIX C

Relaunched SISP Bid Summary (confirmed or revised bid)

(Under seal)

APPENDIX D

SYQ's Accepted Bid

(Under seal)

APPENDIX E
Cash Flow Projections

North American Lithium Inc.

DRAFT

Cash flow projections for the period ending September 4, 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	2021-07-10	2021-07-17	2021-07-24	2021-07-31	2021-08-07	2021-08-14	2021-08-21	2021-08-28	2021-09-04	Total	103-Week period ended May 15, 2021	Total	
	Actual	Actual	Actual	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget		Actual	
Receipts																				
Accounts receivable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	7	7
Interim financing	-	-	-	-	1 000	-	-	-	1 000	-	-	-	-	500	-	-	-	2 500	10 000	12 500
Insurance reimbursements	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	772	772
Sales taxes and DAS reimbursements	-	951	-	10	-	-	-	-	10	-	-	-	-	-	10	-	-	981	2 481	3 462
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	221	221
	-	951	-	10	1 000	-	-	-	1 010	-	-	-	-	500	10	-	-	3 481	13 481	16 962
Disbursements																				
Salaries and social benefits	33	33	32	28	40	40	40	40	40	28	40	36	40	24	40	24	557	8 037	8 594	
Utilities	1	-	-	35	43	-	-	-	54	-	-	-	54	-	-	-	186	1 108	1 294	
Insurance	-	-	44	10	-	-	-	-	-	-	-	-	-	-	525	-	579	3 151	3 730	
Maintenance and other operation costs	18	74	59	130	100	103	57	33	76	24	14	46	48	47	17	13	860	4 834	5 694	
Professional fees	8	-	12	50	100	100	100	50	25	15	10	10	10	10	10	10	520	1 124	1 644	
Property taxes (2020)	-	-	-	-	175	-	-	-	-	-	-	-	-	-	-	-	175	275	450	
Reserves :																				
Reserve for professional fees	-	-	-	-	-	400	-	-	-	-	-	-	-	-	-	100	500	-	-	500
Reserve for Excluded Employees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	100	100	-	-	100
Other / provision	-	-	-	4	4	4	4	4	4	4	4	4	4	4	4	4	47	-	-	47
	60	107	147	256	461	647	201	127	199	71	67	96	156	85	596	250	3 524	18 529	22 053	
Increase (decrease) of cash	(60)	844	(147)	(246)	539	(647)	(201)	(127)	811	(71)	(67)	(96)	(156)	415	(586)	(250)	(43)	(5 048)	(5 091)	
Cash (beginning)	343	283	1 127	980	734	1 273	626	425	299	1 110	1 039	972	876	721	1 136	550	343	5 391	5 391	
Cash (end)	283	1 127	980	734	1 273	626	425	299	1 110	1 039	972	876	721	1 136	550	300	300	343	300	
Less : Monitor's Trust Account	(76)	(76)	(76)	(76)	(76)	(76)	(76)	(76)	(76)	(76)	(76)	(76)	(76)	(76)	-	-	-	(76)	-	
Available cash	207	1 051	904	658	1 197	550	349	223	1 034	963	896	800	645	1 060	550	300	300	267	300	