

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"

**ELEVENTH 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 eleventh 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 September 24, 2020

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 nine times.
- 1.2 The previous extension was obtained on August 31, 2020, extending the stay period until September 30, 2020.
- 1.3 Given the reports already issued by the Monitor, this eleventh report discusses:
 - Section 2: Steps undertaken since the September 12, 2019 Sale and Investor Solicitation Process ("SISP") 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 SEPTEMBER 12, 2019 SISP 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 Continuity of certain contracts promoting the resumption of operations. Minor drilling activities were maintained and have now ceased;
- 2.1.3 Compliance with environmental requirements;
- 2.1.4 Meetings and discussions with creditors and suppliers;
- 2.1.5 Actively participated in the SISP:
 - Gathering information and documentation to be uploaded in the Monitor's virtual data room;
 - Meetings, discussions and site visits with potential investors;
- 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"), Jien International Investment Ltd. ("JIIL") and Contemporary Amperex Technology Canada Limited ("CATL") representatives and legal counsel regarding the 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 Implemented the SISP, which included, among others, the following steps:

2.2.4.1 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 / investment opportunity;
- A data room;
- 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.

2.2.4.2 For the period from October 7, 2019 to date:

- Solicitation among the Prospective Bidders (138 Teaser Letters were distributed to strategic and financial Prospective Bidders);
- Qualification of Prospective Bidders. i.e. Review of information/requirements to be qualified as a qualified bidder;
- Assisting Qualified Bidders with their due diligence. i.e. answering questions and providing additional information;
- Meetings, discussions and site visits with potential investors;
- Extension of the bid deadline to February 21, 2020;
- Receipt of Qualified Bids;
- Opening and review of the bids by the Monitor;
- Request for clarifications from bidders on their respective bids;
- Submission of the bids to secured creditors (IQ and CATL) for their review and consideration;
- Assisting Qualified Bidders with their additional due diligence requests.

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 February 21, 2020, following the bid deadline, the Monitor opened the submitted bids and prepared a summary of the bids received. Following the review of the bids by the Monitor, it appears that all the bids contemplate an assumption or conversion of the debts of either one or both of NAL's secured creditors (IQ/CATL). In these circumstances, the Monitor had submitted the bids to the secured creditors for their review and consideration and awaited to receive their respective positions.
- 3.3 Consequently, until such time as the Monitor receives the position of each of the secured creditors with respect to the bids, the Monitor can 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.
- 3.4 The Monitor advised all bidders, on numerous occasions since March 5, 2020, that it indefinitely extended the time period at paragraph 9.4 of the SISP Procedures.
- 3.5 The Monitor also requested, on numerous occasions since March 5, 2020, that all bidders renew their bids. The latest request was made on September 23, 2020 whereas the Monitor requested that all bidders renew their bids and set the expiration date of their bids to October 31, 2020.
- 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 October 30, 2020, in order to, among other things:
 - 3.6.1 Continue reviewing the bids;
 - 3.6.2 Allow IQ and CATL time to discuss/negotiate with bidders;
 - 3.6.3 Obtain IQ's and CATL's respective positions on the submitted bids;
 - 3.6.4 Acceptance of one or more bids, if any;
 - 3.6.5 Review of restructuring options, including a draft plan of compromise based on the bids submitted;
 - 3.6.6 Preparation and hearing before the court of a motion to move forward in accordance with the SISP, the case may be, and the results in respect thereof. Potential successful bids would be submitted to the court for approval.
 - 3.6.7 Furthermore, as demonstrated in the cash-flow projections, at the end of the requested stay period, i.e. October 30, 2020, the Authorized Interim Financing will have been fully drawn. Discussions between stakeholders, namely NAL, the Monitor, the main lenders and the shareholders, should take place during the requested stay period in regards of a potential additional interim financing.

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 September 19, 2020 (since the previous Order) as well as actual cash position for the 69-week period ended September 19, 2020 (since the Initial Order).

North American Lithium Inc.
Actual vs Revised Forecast for the 5-Week period ended September 19, 2020
(Unaudited)

(In thousands of \$)	5-Week period ended September 19, 2020			69-Week period ended
	Actual	Forecast	Variance	September 19, 2020
Receipts				
Accounts receivable	-	-	-	7
Interim Financing	-	-	-	7 000
Insurance premium reimbursements	-	-	-	486
GST/QST reimbursement	17	5	12	2 341
	17	5	12	9 834
Disbursements				
Salaries and social benefits	211	232	21	6 726
Utilities	20	58	38	769
Insurance	523	525	3	2 688
Drilling and excavation costs	-	-	-	800
Maintenance, gas and other operation costs	193	228	35	2 991
Legal and monitor fees	39	60	21	805
	985	1 103	118	14 779
Increase (decrease) of cash	(968)	(1 098)	130	(4 945)
Cash (beginning)	1 414	1 414	-	5 391
Cash (end)	446	316	130	446
Less: GIC	(209)	(209)	-	(209)
Available cash	237	107	130	237

- 4.3 Main variances can be explained as follows:
- 4.3.1 Salaries and Benefits: Labor costs were lower than budgeted due to a timing variance, i.e. Deductions at source paid on a monthly basis.
- 4.3.2 Utilities: Utilities expenses were 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: Professional fees are paid on a monthly basis. Permanent variance.
- 4.3.5 GIC: On September 9th, via letter, the Ministère des Transport du Québec confirmed the release of an amount of \$584,000 that was pledged for roadwork around NAL's mining site. This amount was received by NAL during the week ended October 12, 2019. NAL is currently undergoing work in order to release the balance of the GIC.

5. CASH FLOW PROJECTIONS

5.1 NAL prepared a weekly cash flow for the 7-week period ending on November 7, 2020 (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.

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.

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.

5.3 The projections consider the plant shutdown and are based on specific assumptions:

5.3.1 Interim financing: Based on cash-flow requirements and total availability of the interim financing.

5.3.2 Salaries, vacations and social benefits: Based on 16 full-time employees to ensure maintenance of facilities and payment of post-filing vacations due to laid-off employees.

5.3.3 Utilities : based on historical consumption.

5.3.4 Property and other insurance: As per insurance policy terms and conditions.

5.3.5 Maintenance and other operations costs: Includes clean-up and maintenance, water treatment, IT related expenses, CATL management fees, etc.

5.3.6 Professional fees: Based on recent historical fees.

5.3.7 No capital or interest payments on IQ's/CATL's loans and interim financing.

5.3.8 No property taxes payments are projected. To this effect, the city of La Corne requested from NAL management the immediate payment of its post-filing property taxes (circa \$427,000). Management informed the city of La Corne that the Monitor and NAL management intend to communicate shortly with them in order to negotiate a payment plan.

5.4 The Authorized Interim Financing of \$8 million (outstanding amount as at September 19, 2020 is \$7 million) will be enough to cover conservatory measures and other expenses until the end of the additional stay period requested in this report, i.e. October 30, 2020.

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.);
- 6.1.2 NAL would have sufficient funds until October 30, 2020;
- 6.1.3 NAL, CATL and IQ have agreed on the continuation of the SISP and the related procedures (including the modified timetable);
- 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 will benefit from the following:

- 6.2.1 The extension and continuity of the SISP;
- 6.2.2 The additional stay period requested until October 30, 2020 for NAL to complete its SISP and/or to continue to carry out its restructuring plan.

APPENDIX I

North American Lithium Inc.

Cash flow projections for the period ending November 7, 2020

(Unaudited)

(In thousands of \$) - Week ending :	26-sept	03-oct	10-oct	17-oct	24-oct	31-oct	07-nov	Total	69-Week period ended September 19, 2020	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	-	-	-	-	-	-	-	-	7	7
Interim financing	500	-	-	-	-	500	-	1 000	7 000	8 000
Insurance reimbursements	-	-	-	-	-	-	-	-	486	486
Sales taxes reimbursements	-	-	-	-	-	6	-	6	2 341	2 347
	500	-	-	-	-	506	-	1 006	9 834	10 840
Disbursements										
Salaries and social benefits	40	12	68	-	68	12	68	268	6 726	6 994
Utilities	9	30	10	12	2	2	93	157	769	926
Insurance	-	95	-	-	-	95	55	245	2 688	2 933
Maintenance and other operation costs	21	49	24	17	9	20	42	183	3 791	3 974
Professional fees	5	32	10	12	5	5	5	74	805	879
Property taxes	-	-	-	-	-	-	-	-	-	-
Other / provision	2	-	-	-	-	3	-	5	-	5
	77	219	112	40	84	137	262	931	14 779	15 710
Increase (decrease) of cash	423	(219)	(112)	(40)	(84)	369	(262)	75	(4 945)	(4 870)
Cash (beginning)	446	868	650	538	497	413	782	446	5 391	5 391
Cash (end)	868	650	538	497	413	782	520	520	446	521
GIC	(209)	(209)	(209)	(209)	(209)	(209)	(209)	(209)	(209)	(209)
Available cash	659	441	329	288	204	573	311	311	237	311