

No. S-154746  
Vancouver Registry

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In the Supreme Court of British Columbia

In the Matter of the *Companies' Creditors Arrangement Act*  
R.S.C. 1985, c. C-36, as amended

And

In the Matter of the *Canada Business Corporations Act*,  
R.S.C. 1985, c. C-44, as amended

And

In the Matter of the North American Tungsten Corporation Ltd.

Petitioner

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**AFFIDAVIT**

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**BULL, HOUSSE & TUPPER LLP**  
Barristers & Solicitors  
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Vancouver, BC V6B 0M3  
Telephone: (604) 687-6575  
Attention: Kieran E. Siddall

KES/nca

Matter# 15-3341



This is the 2<sup>nd</sup> affidavit  
of Karin Laursen in this case  
and was made on \_\_\_/Nov/2015

No. S154746  
Vancouver Registry

IN THE SUPREME COURT OF BRITISH COLUMBIA

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,  
R.S.C. 1985, c. C-36 as amended

and

IN THE MATTER OF THE *CANADA BUSINESS CORPORATIONS ACT*,  
R.S.C. 1985, c. C-44, as amended

and

IN THE MATTER OF NORTH AMERICAN TUNGSTEN CORPORATION LTD.

PETITIONER

**AFFIDAVIT**

I, KARIN LAURSEN, Purchasing Manager, of 1 Hawes Street, Towanda, Pennsylvania, USA,  
make oath and say as follows:

1. I am a Purchasing Manager of strategic raw materials of Global Tungsten & Powders Corp. ("GTP"), and as such I have personal knowledge of the facts and matters referred to herein except where stated to be based on information and belief and as to those facts I verily believe them to be true.
2. I am authorized by GTP to make this Affidavit.
3. I make this affidavit (1) in support of GTP's application to terminate its Supply Agreement with North American Tungsten Corporation Ltd. ("NATC"); and (2) in response to the application of the Government of the Northwest Territories ("GNWT") for the sale of the Mactung Mine, an undeveloped exploration property located on the border of the Yukon Territory and the Northwest Territories owned by NATC.
4. As stated in my Affidavit sworn July 7, 2015 (my "First Affidavit"), GTP is a corporation that was established in 1916 (the Patterson Screen Company) in Towanda, GTP is a world-leading manufacturer of tungsten oxide-, tungsten metal-, and tungsten carbide powders.



Termination of Supply Agreement

5. In order to ensure certainty in the amount of tungsten concentrate GTP receives and competitive pricing, GTP entered into a long term supply agreement with NATC on December 19, 2013 (the "Supply Agreement"). A copy of the Supply Agreement is attached to my First Affidavit as Exhibit "A".
6. The Supply Agreement provides for the annual delivery by NATC of 100,000 to 115,000 metric tonne units (MTUs) of tungsten concentrate for a total of at least 320,000 MTUs of tungsten concentrate as more particularly described in the Supply Agreement.
7. In 2014, GTP received approximately 35-40% of its required external tungsten concentrate pursuant to the Supply Agreement.
8. Since initiation of these CCAA proceedings in June 2015, GTP has continued to purchase tungsten concentrate, pursuant to the Supply Agreement, from NATC.
9. On July 22, 2015 GTP issued a letter to NATC notifying NATC of GTP's intention to set-off amounts due to NATC in respect of invoices for tungsten concentrate delivered during the CCAA Proceedings.
10. The set-off rights asserted by GTP were the subject of a number of applications and court orders in this court and the Court of Appeal. In the result, GTP's right of legal set-off was acknowledged, but GTP is stayed from exercising its right of set-off during the CCAA stay of proceedings.
11. GTP has complied with the Court's orders made in relation to the set-off issue and in particular has paid all invoices issued to GTP by NATC for the delivery of tungsten when due.
12. Throughout these proceedings, NATC has presented an operating plan which, among other things, was to see the Cantung mine cease operations at the end of October, 2015 and transition into care and maintenance.
13. NATC has advised GTP that it will not be in a position to ship tungsten concentrate pursuant to the Supply Agreement, when the Cantung mine ceases operation and transitions into care and maintenance.
14. On October 27, 2015, GTP received an e-mail from Bruce Penich at NATC advising that the mill at the Cantung mine has been shutdown and that one last shipment was available to be made to GTP. Attached hereto and marked as Exhibit "A" to this my affidavit is a true copy of Mr. Penich's email.
15. The Supply Agreement provides for the delivery of 105,000 MTU for the period February 1, 2015 to February 1, 2016. Since February 1, 2015, NATC has shipped 87,667 MTU to GTP.



16. Based on these representations and expectations, GTP made alternative arrangements to secure its required supply of tungsten concentrate beyond November 2015.
17. Without certainty of supply, GTP cannot ensure that it can meet its processing requirements and scheduled deliveries to customers.
18. GTP is in the process of securing long term replacement contracts for the delivery of tungsten concentrate through 2016.
19. GTP does not have the capacity to receive and pay for excessive supply of tungsten concentrates that are not required by customer demand. An oversupply of tungsten concentrates, without an increased demand from GTP's customers, would jeopardize GTP's business by prejudicing its available cash flow and ability to pay invoices.
20. Based on my review of the materials, NATC plans, in the spring of 2016, to reconfigure the mill facilities to produce tungsten concentrates from tailings reprocessing if the price of tungsten increases to at least the \$300 MTU level.
21. Despite Mr. Lindahl's assertion in his fourth affidavit, made July 2, 2015, that further analysis for the prospect of tailing reprocessing is needed, NATC has not, to my knowledge, conducted any conclusive technical tests to demonstrate that this procedure is possible. Tailings reprocessing is not an easy task.
22. In any event, based on my knowledge of NATC's operations, concentrate production from tailings recovery would be, on average, of a lower grade and quantity than that stipulated in the Supply Agreement, and that would be acceptable to GTP.
23. It is imperative that the Supply Agreement be terminated to provide GTP with the ability to plan and secure appropriate quantities of tungsten concentrate to effectively run its business.
24. It is for that reason that GTP seeks an order from this Honorable Court that the Supply Agreement is terminated.

Proposed sale of Mactung Mine

25. On the same day as entering into the Supply Agreement, GTP agreed to lend NATC the amount of US\$4,700,000 (the "GTP Loan") pursuant to the terms of a Loan Agreement.
26. Pursuant to the terms of the Loan Agreement, GTP provided NATC with a non-revolving US\$2.5 million loan. \$2.2 million of the proceeds of the GTP Loan was used to repay a pre-payment advance of \$2.2 million made by GTP to NATC under a prior supply agreement.
27. NATC's indebtedness to GTP is secured by a Security Agreement dated December 19, 2013 (the "Security Agreement") and the collateral of all of NATC's present and after acquired property relating to or connected with the Mactung Mine.
28. As of July 22, 2015, the outstanding indebtedness of NATC to GTP for the GTP Loan was \$4,406,250.00.



29. The reason that GTP agreed to lend money to NATC in late 2013 was to provide financial assistance to the operating tungsten mine to help stabilize and continue operations so as to continue the sale of concentrates to GTP in the ordinary course of business.
30. GTP's indebtedness and security against the Mactung Mine ranks *pari passu* with the indebtedness and security of Wolfram Bergbau und Hütten ("WBH").
31. The security held by GTP and WBH against the Mactung Mine ranks in priority, up to US\$5.0 million plus interest and costs (*pari passu*), behind the security held by the GNWT in connection with NATC's reclamation obligations for the Cantung Mine (the "Reclamation Obligations").
32. I understand that GNWT has brought an application for, *inter alia*, an order approving a transaction for the purchase by GNWT of the Mactung Mine for \$4.5 million, to be paid in part by a cash payment to the holders of court-ordered super-priority charges (the "CCAA Charges") in an amount apportioned to the Mactung Mine, and the balance by "credit bidding" a portion of the amounts payable to GNWT to secure the Reclamation Obligations.
33. GTP opposes the proposed sale of the Mactung Mine to GNWT for the following reasons:
  - (a) GTP has no confidence that the purchase price of \$4.5 million is a fair reflection of the mine's market value. GTP is aware that a court-ordered sales process was undertaken, but GTP was not consulted during the sales process nor has GTP been provided with any information regarding any offers received in the process. Further, no appraisal or other evidence of value has been presented by NATC, the Monitor, or any other stakeholder;
  - (b) GTP was not consulted by the Monitor or any other stakeholder regarding the proposed sale;
  - (c) I am advised by counsel for GTP that amounts payable by NATC to GNWT for the Reclamation Obligations are refundable in circumstances where GNWT does not ultimately incur reclamation costs, for example, if the Cantung Mine is sold and the purchaser posts new security for the Reclamation Obligations. In these circumstances, GTP fails to see how GNWT can submit a "credit bid";
  - (d) If the obligations secured by GNWT's security are ultimately satisfied or extinguished, GNWT's security would fall away leaving the security held by GTP and WBH in first position on a *pari passu* basis;
  - (e) The effect of the proposed sale would be to foreclose GTP (and other security holders') rights to recover against the Mactung Mine;
  - (f) GTP respectfully requests that the proposed sale be delayed at least until March 31, 2016. Interest in the investment community in mining and exploration is



currently very weak for tungsten and most other metals. As soon as market confidence rebounds, which may occur as soon as the first quarter of 2016, it becomes increasingly likely that a strategic purchaser could be found for the Mactung Mine who will offer a price much higher than the proposed purchase price of \$4.5 million.

- (g) GTP is not aware of any prejudice to GNWT or other stakeholders if the Mactung Mine sale was delayed to March 31, 2016. GNWT's security will remain on the mine, which, as noted above, is an undeveloped exploration property
- (g) When my Affidavit sworn July 7, 2015 was issued I was of the firm opinion that the tungsten market would not rebound in the foreseeable future. Since then multiple mines have closed in China, and these developments could influence investors to consider purchasing the Cantung Mine as soon as the market reacts;
- (h) I have reviewed the affidavit of Dennis Lindahl #1 sworn June 8, 2015 in this proceeding and note that at paragraph 41, Mr. Lindahl deposes that the sum of \$6.2 million in cash has been posted to secure the performance of the Reclamation Obligations. I have also reviewed the Monitor's care and maintenance cash flow statement included in its Eleventh Report dated November 12, 2015 forecasting expenditures for care and maintenance of approximately \$1.8 million for the period ending April 1, 2015. These care and maintenance costs, to the extent that they qualify as reclamation costs, can be satisfied from the \$6.2 million in cash posted as security.

SWORN (OR AFFIRMED) BEFORE ME )  
 at \_\_\_\_\_, Denmark on )  
 \_\_\_\_/Nov/2015. )

\_\_\_\_\_  
 A Notary Public for \_\_\_\_\_ )  
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\_\_\_\_\_  
 KARIN LAURSEN



**From:** Bruce Penich [mailto:bpenich@natungsten.com]  
**Sent:** Tuesday, October 27, 2015 12:33 PM  
**To:** Laursen Karin  
**Cc:** Dennis Lindahl; Kurt Heikkila (kheikkila@tundracompanies.com); Grant Bond; Bruce Penich; Gallagher Jason  
**Subject:** Final shipment of G1 for GTP

Hi Karin

The mill has shutdown now and we have 8 bags of G1 available for shipment to GTP. Five of the bags are below 65% WO3 with the average for the 8 bags of 63.17%. Will GTP accept this shipment with a price discount of \$10.00 per MTU as it is a partial shipment with some bags below spec.

Please advise as soon as possible that GTP will accept the shipment and we will make arrangements to send it.

Thank you

Bruce

This is Exhibit " A " referred to in the  
Affidavit of.. Karin Laursen  
Sworn before me at .....  
this ..... day of November, 2015  
.....  
A Notary Public for:  
.....

Bruce Penich  
Senior Manager - Finance





This is to certify that Karin Laursen today in my presence at the Notarial Office approved and signed the above document. No conspicuous corrections or addenda were found in the document.

Karin Laursen has proved her identity by showing passport.

**The Court in Viborg, Denmark, 16/11-2015**

**Stine Stewart**  
**Notary Public**

A large, stylized handwritten signature in blue ink, written over the printed name and title of the notary.

