



This is the 9<sup>th</sup> affidavit  
of Dennis M. Lindahl in this case  
and was made on 21 / Jul / 2015

NO. S-154746  
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, **DENNIS M. LINDAHL**, of 1640 – 1188 West Georgia Street, Vancouver, British Columbia, businessperson, SWEAR (OR AFFIRM) THAT:

1. I am the chief financial officer and a director of North American Tungsten Corporation Ltd., the petitioner in this proceeding ("**NATC**" or the "**Company**"), and as such have personal knowledge of the matters deposed to in this Affidavit except where I depose to a matter based on information from an informant I identify, in which case, I believe that both the information from the informant and the resulting statement are true.
2. I am authorized to make this Affidavit on behalf of the Petitioner in support of the relief sought in the Notice of Application filed in the above-captioned proceedings seeking approval of a certain accounts receivable funding facility from Callidus Capital Corporation ("**Callidus**").

## Summary of First Affidavit

3. By way of background, the following is a summary of certain key information regarding the Company, as set out in more detail in my First Affidavit sworn June 8, 2015.

4. NATC is a publicly traded company, engaged in the acquisition, exploration, development, mining and milling of minerals, primarily tungsten concentrate. NATC's principal product is tungsten concentrate, which is sold to its customers and refined into Ammonium Paratungstate ("**APT**").

5. NATC has two properties:

- (a) the "**Cantung Mine**" and associated mine facilities, which is an operating mine located in the south-west corner of the Northwest Territories; and
- (b) the "**Mactung Property**", which is an undeveloped exploration property located on the border of the Yukon Territory and the Northwest Territories.

6. At or around the filing date, NATC had total liabilities of approximately \$84.4 million, including approximately \$14 million of unsecured liabilities.

7. With respect to its secured liabilities, most of NATC's (pre-filing) secured creditors held security over the assets of either the Cantung Mine or the Mactung Property. The secured creditors with an interest in the Cantung Mine assets include:

- (a) Callidus;
- (b) Various parties (the "**Debentureholders**"), who also hold security over the Mactung Property assets; and
- (c) Queenwood Capital Partners II LLC ("**Queenwood II**"), who also hold security over the Mactung Property assets.

8. The secured creditors with an interest in the Mactung Property assets include:

- (a) The Government of the Northwest Territories ("**GNWT**");
- (b) Global Tungsten & Powders Corp. ("**GTP**");
- (c) Wolfram Bergbau and Hutten AG ("**WBH**"); and
- (d) the Debentureholders and Queenwood II, as noted above.

9. In early June, 2015, NATC was unable to meet its financial obligations as they became due, and was accordingly insolvent. NATC's insolvency was caused by a number of factors, but was primarily due to a significant drop in APT market prices.

#### **Payment of GTP Receivables**

10. By way of further background, the following is a summary of certain key information regarding the Company's receivables from GTP, as set out in more detail in my Fourth Affidavit sworn July 2, 2015 (the "**Fourth Lindahl Affidavit**").

11. The Petitioner has two customers: Global Tungsten & Powders Corp. ("**GTP**") and Wolfram Bergbau und Hütten AG ("**WBH**"). NATC has supply agreements with both customers which initially provided for payment within 30 days of shipments being made from NATC's Cantung Mine site.

12. However, to manage cashflow, NATC had entered into arrangements with both customers to allow for payment within approximately 5 days of shipment. In the case of GTP, early payment was achieved through a factoring agreement between the Petitioner and Royal Bank of Scotland plc ("**RBS**").

13. In late June, 2015, the Petitioner learned that RBS was discontinuing payments under the factoring arrangement, and that GTP would not accelerate their existing payment terms to allow for continued early payment to the Petitioner for ongoing shipments.

14. This created an urgent need for further liquidity in order for NATC to continue operations through these proceedings. To address the urgent cashflow situation, NATC sought approval of an interim financing facility in the amount of \$2.5 million (the "**Interim Financing**") from its main equipment lender, Callidus.

#### **Operating Plan and SISP**

15. As further set out in the Fourth Lindahl Affidavit, the Company has developed an operating plan to:

- (a) continue operations at the Cantung Mine until at least the end of October, 2015, including management of environmental care;
- (b) conduct an orderly wind down of underground mining activities, including a staged disposition of underground mining equipment (primarily mobile equipment) to reduce amounts owed to Callidus and positioning the Cantung Mine for care and maintenance through to the spring of 2016;

- (c) continue efforts to reconfigure its mill facilities for tailings reprocessing and progressive reclamation, which will create additional operating flexibility for an investor or purchaser; and
  - (d) continue to work and negotiate with the Government of the Northwest Territories to preserve the long term value of the Mactung Property and mitigate reclamation liabilities at the Cantung Mine,
- (collectively, the “**Operating Plan**”).

16. The Operating Plan, and in particular continuing with the Cantung Mine operations, will have a substantial benefit to all stakeholders, and will allow NATC to generate an additional net \$4 million over the period to October 31, 2015 from operating revenues, as compared to the results from implementing an accelerated wind down of the Cantung Mine.

17. Concurrently with the Operating Plan, the Petitioner has developed a Sale and Investment Solicitation Process (the “**SISP**”) to identify long-term investors in NATC or purchasers of some or all of its assets or business, which SISP will run parallel to the Operating Plan, with the aim of closing a transaction that benefits the Company’s stakeholders (a “**Successful Transaction**”) by late 2015.

#### **Need for Accounts Receivable Financing**

18. NATC has filed cashflow projections to October 23, 2015, included in the Monitor’s Fourth Report, dated July 7, 2015. These projections show that, with the Interim Financing, there is sufficient funding to carry NATC’s operations through to the end of October, 2015, consistent with the Operating Plan and the SISP.

19. However, while Interim Financing addressed some of the Petitioner’s immediate and longer term cash needs, the mid-term projections assumed that NATC would make arrangements to obtain early payment of GTP’s ongoing receivables to better manage its cash inflows and outflows through the Operating Plan and the SISP.

20. Without those arrangements, the timing of the Petitioner’s receipts in its cashflow projections will be delayed, and it will not have sufficient liquidity to meet its ongoing obligations in a timely way. Accordingly, the Company has been pursuing a solution to the timing issue in the cashflow.

21. On July 21, 2015, the Petitioner received an offer from Callidus to provide additional financing, primarily secured by the receivables due from GTP (the “**AR**

**Financing Facility**”), to facilitate the Company’s ability to meet its obligations in a timely way. The essential terms of the AR Financing Facility are as follows:

- (a) Callidus will provide a revolving credit facility, up to a maximum of \$2,500,000;
- (b) Advances will be made based on accounts receivable owed by GTP from time to time, to be made within 5 days of invoicing and proof of shipment;
- (c) NATC will enter into a blocked account agreement with Callidus, under which payments from GTP are deposited into a separate account and immediately swept by Callidus as received to pay down the AR Financing Facility; and
- (d) As additional security for the AR Financing Facility, Callidus is to receive the benefit of a court ordered priority charge over all of the Petitioner’s assets, including the Cantung Mine and the Mactung Property (the “**AR Lender’s Charge**”).

22. Now shown to me and attached hereto as **Exhibit “A”** is a copy of the AR Financing Facility term sheet, executed by NATC. NATC anticipates receiving confirmation of Callidus Credit Committee approval and thus a fully executed copy of the term sheet from Callidus shortly.

23. It is important to note that advances under the AR Financing Facility will only be made once a shipment is made to GTP, and advances will be such that the facility will be fully repaid from the funds in the blocked account once GTP makes payment on the invoices from NATC (due 30 days after shipment date, or approximately 25 days after an advance).

24. As a result, the AR Lender’s Charge will only be relevant and impact other stakeholders if GTP fails to pay the outstanding invoices arising from shipments made since the filing date under the CCAA and specifically financed by Callidus under the AR Financing Facility. GTP has been a customer of NATC for several years, and given their prompt payment history over that period of time NATC considers this risk to be remote.

### **Balance of Prejudice**

25. In the Fourth Lindahl Affidavit, I set out the rational for the Company’s application for Interim Financing, and the relative benefits and prejudices that would accrue if the Interim Financing was or was not approved. Those apply equally to approval of the AR Financing Facility but have more weight given the limited risk of non-payment by GTP.


26. In particular, if the AR Financing Facility and the AR Lender's Charge are not approved, the Petitioner may be unable to keep the Cantung Mine in operation. That result will likely lead to enforcement by the Petitioner's secured creditors and liquidation of the Petitioner's assets, with little or no recovery for the majority of the Petitioner's stakeholders.


27. Furthermore, a shutdown of the Cantung Mine would effectively result in an abandoned mine site, and could leave the Government of the Northwest Territories with a significant reclamation obligation. Allowing the Cantung Mine to stay in operation, while the Company meets its post-filing obligations in a timely way, preserves the Petitioner's ability to manage any environmental issues quickly and efficiently, and work towards progressive reclamation of the mine site in an orderly fashion (thereby reducing any ultimate reclamation that may be required).

28. The AR Financing Facility will provide stability and predictability to the Petitioner's cash flow allowing for payment of operating expenses in the ordinary course, and increasing the prospect of the Petitioner achieving a Successful Transaction and/or restructuring.

29. Callidus is not willing to advance any funds under the AR Financing Facility absent the AR Lender's Charge.

SWORN (OR AFFIRMED) BEFORE ME at  
Vancouver, BC, on 21 / 07 / 2015.

  
A Commissioner for taking Affidavits within  
British Columbia



DENNIS M. LINDAHL

**JORDAN D. SCHULTZ**  
*Barrister & Solicitor*  
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# CALLIDUS CAPITAL

EXECUTION VERSION

July 21, 2015

North American Tungsten Corporation Ltd.  
#1640 – 1188 West Georgia Street  
Vancouver, British Columbia  
V6E 4A2

Attention: Dennis Lindahl

This is Exhibit " A " referred to in the  
affidavit of D. LINDAHL  
sworn before me at VANCOUVER, BC  
this 21 day of JULY, 2015  
.....  
A Commissioner for taking Affidavits  
for British Columbia

**RE: Term Sheet - \$2.5 million Senior Secured Super-Priority Interim (A/R) Facility**

This Term Sheet will provide you with the terms and conditions of the proposed interim financing facility (the "**A/R Facility**") that Callidus Capital Corporation proposes to provide, subject to Court approval of this Term Sheet. If this Term Sheet is acceptable to you, please sign below and deliver the Structuring Fee as detailed below.

**Borrower:** North American Tungsten Corporation Ltd. (the "**Borrower**").

**Lender:** Callidus Capital Corporation (the "**Lender**").

**A/R Facility:** \$2.5 million revolving credit facility.

Lender will provide a revolving interim financing facility based upon the accounts receivable owed by Global Tungsten & Powders Corp. ("**GTP**" or the "**Customer**"). Advances will be made within 5 days of invoicing and proof of shipment.

**Blocked Account:** All payments from the Customer will be made into a designated blocked account within 30 days of invoicing and shall be swept by the Lender as payments are received and immediately applied by the Lender to pay down the outstanding indebtedness of the Borrower under the A/R Facility.

**Interest:** The A/R Facility will bear interest at 21% per annum payable in cash by the Borrower on the last day of each month.

Additional default interest of 2% per annum applies following a payment default.

**Structuring Fee:** \$25,000

**Term:** The earlier of November 15, 2015 and the end of the stay of proceedings in the CCAA Proceeding (as defined below), with the possibility of monthly extensions subject to credit committee approval and the Borrower paying the Lender an extension fee in the amount of \$10,000 per month (the last day of the Term shall be referred to as the "**Maturity Date**").

181 BAY STREET  
SUITE 4620, P.O. BOX 792  
BAY WELLINGTON TOWER – BROOKFIELD PLACE  
TORONTO, ONTARIO, CANADA •

M5J 2T3

- Security:** The A/R Facility shall be secured by:
- (a) a super-priority lien and claim to be granted by way of court order of the British Columbia Supreme Court in the proceeding (the “**CCAA Proceeding**”) commenced by the Borrower under the Canadian *Companies’ Creditors Arrangement Act* (the “**CCAA**”), over all of the assets of the Borrower (including without limitation, the Mactung Property (as defined in the Initial Order);
  - (b) a general security agreement providing a first ranking charge (ranking *pari passu* with the general security agreement dated July 13, 2015 granted by the Borrower in favour of the Lender) on all present and after acquired property of the Borrower (including without limitation, the Mactung mine and all assets related thereto), which shall be perfected under the provisions of the *Personal Property Security Act* in British Columbia, Yukon and the Northwest Territories by registration of a financing statement in respect of the security interest created by the general security agreement in the British Columbia, Yukon and Northwest Territories Personal Property Registries;
  - (c) such other security as the Lender and its solicitors may deem necessary, including but not limited to, a first ranking charge over the equipment of the Borrower, subject to section 11.8 claims, over the mining claims of the Borrower and all permits and licenses related to the Cantung Mine and the Mactung Property, and any present and after acquired concentrate and inventory from the Cantung Mine; and
  - (d) a blocked account agreement;  
(collectively, the “**Security**”) in the amount being the aggregate net amount outstanding under the A/R Facility from time to time. For the avoidance of doubt, the Security shall automatically terminate when the A/R Facility is repaid in full.
- Repayment:** Repayment at any time upon the earliest to occur of:
- (a) the Maturity Date;
  - (b) an Event of Default (as defined below);
  - (c) dismissal or termination of the CCAA Proceeding; and
  - (d) the commencement of any proceeding (a “**BIA Proceeding**”) pursuant to the *Bankruptcy and Insolvency Act* (Canada), or the conversion of the CCAA Proceeding into a BIA Proceeding, or the commencement of any similar proceeding in any jurisdiction.
- Use of Proceeds:** To pay for the costs and expenses related to the CCAA Proceeding and the approved (by Lender) budget expenditures.
- Covenants:** Compliance with certain specifically identified line items in the cash flow attached to the forbearance agreement between the Lender, the Borrower and Queenwood Capital Partners II LLC (the “**Forbearance Agreement**”), and to a 13-week cash flow forecast to be provided in accordance with the Forbearance Agreement (provided that variances to line items shall be permitted, provided the net cash flow line item will not vary by more than \$50,000 unless specifically authorized by Callidus in writing), reported and tested weekly.
- Reporting:** As set out in the Forbearance Agreement.



- Expenses:** All reasonable and documented out-of-pocket fees and expenses of the Lender, including without limitation all reasonable and documented fees and expenses of outside counsel in connection with the A/R Facility, including in connection with due diligence by the Lender associated with the preparation, execution and delivery, waiver or modification, and enforcement of the documentation contemplated hereby, are to be paid by the Borrower.
- Conditions Precedent** Usual and customary for this type of transaction, including:
- (a) approval of the transaction by the Lender's Credit Committee;
  - (b) the Lender being satisfied in its sole discretion that there has been no material deterioration of the Borrower's business prior to closing; and
  - (c) completion of Blocked Account Agreement and security in form and substance satisfactory to Lender.
- Events of Default:** Each of the following events constitutes an "**Event of Default**" under this Term Sheet, whether any such Event of Default shall be voluntary or involuntary or be effected by operation of law or pursuant to or in compliance with any judgment, decree or order of any court or any order, rule or regulation of any governmental authority:
- (a) **Payment:** The Borrower fails to make any payment of fees, interest or principal when due and payable under this Term Sheet. The Customer fails to make payment of an invoice within 30 days of the invoice date and such failure is not remedied within 5 days of the Lender delivering written notice of the default;
  - (b) **Breach of default of the Borrower:** The Borrower commits a material breach of, or defaults in the due and prompt performance or observance of any of its covenants, conditions or obligations pursuant to this Term Sheet or any other document executed by the Borrower in relation to this Term Sheet, and such breach is not remedied within 10 days of the Lender delivering written notice of the breach.
  - (c) **Change of Monitor:** There is a change in the party appointed by the Court in the CCAA Proceedings as monitor of the Borrower without the prior written consent of the Lender.
  - (d) **Breach of Orders:** The Borrower is in violation of, or non-compliance with, any order issued under the CCAA Proceedings.
  - (e) **Orders:** There is a further amendment to or variation of the Initial Order or the DIP Order that the Lender, acting reasonably, does not consent to.
  - (f) **Proceedings:** Except as permitted by the Initial Order, any proceeding is taken or commenced by any creditor against the Borrower or its assets and such is not remedied within seven days thereof.
  - (g) **Failure to Pay:** The Borrower fails to pay any claims ranking in priority to the Lender's Charge when such claims come due and such failure is not remedied within 10 days thereof.
  - (h) **Jeopardy:** The Lender, in good faith and on commercially reasonable grounds, believes that the prospect of payment or performance of any of the Borrower's obligations under this Term Sheet or under the Security is impaired.
  - (i) **Administration Charge:** The Administration Charge (as defined in the Initial Order) exceeds \$500,000 without the prior written consent of the Lender.
  - (j) **Reporting:** Failure of the Borrower to provide the reporting as required

by and set out in the Forbearance Agreement.

Upon the occurrence of an Event of Default, the A/R Facility will become immediately due and owing, and Callidus shall be permitted to immediately apply for the appointment of a Receiver or to assign the Borrower into bankruptcy.

**Costs:** Whether or not the loan pursuant to this Term Sheet is made, the Borrower will reimburse the Lender for all reasonable costs incurred by the Lender, directly or indirectly, including without limitation, the expenses of the Lender's personnel, including reasonable travel expenses, and all legal fees and disbursements actually incurred by the Lender in respect of the A/R Facility (including preparation of this Term Sheet), the enforcement and preservation of the Lender's rights and remedies under this Term Sheet and the Security and preparation of any valuation of the assets of the Borrower (collectively, the "Costs"). The Lender shall be entitled to deduct the Costs from the draws made on the A/R Facility.

**Counterparts:** This Term Sheet and all related documents, may be executed in any number of counterparts and delivered electronically (including as a PDF attachment to an email), each of which when so executed and delivered shall be deemed to be an original and all taken together will constitute one and the same document.

**Closing:** No later than July 31, 2015.

This Term Sheet is open for acceptance until the close of business (in Vancouver) on July 21, 2015. Upon acceptance by the Borrower, this Term Sheet shall be deemed to be the Loan Agreement (A/R Facility) between the Borrower and the Lender.

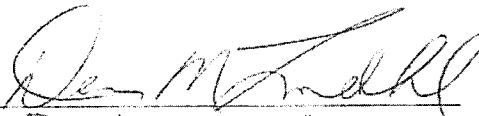
ACCEPTED THIS 21<sup>ST</sup> DAY OF JULY 2015

**CALLIDUS CAPITAL CORPORATION**

**NORTH AMERICAN TUNGSTEN  
CORPORATION LTD.**

Per: \_\_\_\_\_  
Name:  
Title:

I have the authority to bind the Corporation

Per:   
Name: Dennis M Lindahl  
Title: CFO

I have the authority to bind the Corporation