



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.**

**EIGHTH REPORT OF THE MONITOR**

**ALVAREZ & MARSAL CANADA INC.**

**SEPTEMBER 11, 2015**



ALVAREZ & MARSAL

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

**AND**

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## 1.0 INTRODUCTION

- 1.1 On June 9, 2015, on the application of North American Tungsten Corporation Ltd. (the “**Company**” or “**NATC**”), the Supreme Court of British Columbia (the “**Court**”) made an order (the “**Initial Order**”) granting a stay of proceedings against or in respect of the Company and its assets until July 9, 2015 (the “**Stay of Proceedings**”) pursuant to the provisions of the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”). The proceedings brought by the Company under the CCAA will be referred to herein as the “**CCAA Proceedings**”.
- 1.2 Pursuant to the Initial Order, Alvarez & Marsal Canada Inc. (“**A&M**” or the “**Monitor**”) was appointed as Monitor of the Company in the CCAA Proceedings.
- 1.3 The Initial Order along with select application materials and other documents filed in the CCAA Proceedings are posted on the Monitor’s website at [www.alvarezandmarsal.com/northamerican](http://www.alvarezandmarsal.com/northamerican).
- 1.4 On July 9, 2015, the Court granted an Order extending the Stay of Proceedings to July 17, 2015 and confirming, amending and restating the Initial Order as well as an order authorizing and empowering NATC to:
- a) enter into a forbearance agreement with Callidus Capital Corporation (“**Callidus**”); and
  - b) enter into, and borrow \$2.5 million under, a credit facility to be provided by Callidus (the “**Interim Lending Facility**”) to be secured by a super priority charge over all of the assets of NATC.
- 1.5 On July 17, 2015, the Court granted an order (the “**SISP Order**”) extending the Stay of Proceedings to October 31, 2015 and approving and authorizing NATC to, among other things, conduct a sale and investment solicitation process (“**SISP**”) in respect of the Company, its business and/or its assets. In accordance with the terms of the SISP, the Company retained Alvarez & Marsal Canada Securities ULC (“**A&M Securities**” or the “**Financial Advisor**”) to act as its financial advisor to assist the Company in conducting the SISP.
- 1.6 On August 20, 2015, the Court granted an order authorizing and empowering NATC to enter into, and borrow up to \$2.5 million under, a revolving credit facility to be provided by Callidus (the “**AR Financing Facility**”) to finance accounts receivable owed to NATC by Global Tungsten & Powders Corp (“**GTP**”), secured by a super priority charge over all the assets of NATC in the amount of \$2.5 million.
- 1.7 On September 8, 2015, the Company filed a Notice of Application returnable on September 11, 2015 seeking an order amending the SISP (the “**SISP Amending Order**”) and approving an amended sale and investment solicitation process (the “**Amended SISP**”), a copy of which is

attached as Schedule “B” to the SISP Amending Order. The SISP Amending Order, among other things, contemplates the Monitor to assuming conduct of the Solicitation Process (as that term is defined in the SISP Order) in accordance with the Amended SISP. A copy of the draft SISP Amending Order, is attached hereto as Appendix “A”.

## **2.0 PURPOSE OF REPORT**

2.1 This Eighth Report of the Monitor (the “**Eighth Report**”) is a special purpose report to provide the Court and the Company’s stakeholders with information with respect to the following:

- a) an update on the activities of the Financial Advisor and, more generally, the SISP;
- b) the Monitor’s comments and recommendation with respect to the proposed Amended SISP and SISP Amending Order;
- c) a comparison of actual cash receipts and disbursements for the period June 9, 2015 to September 4, 2015 (the “**Reported Period**”) to those forecast in the fourth cash flow statement (the “**Fourth Cash Flow Statement**”) which was included in the Sixth Report of the Monitor dated July 23, 2015;
- d) the updated cash flow statement prepared by the Company for the 21 week period ending October 30, 2015 (the “**Fifth Cash Flow Statement**”), including the key assumptions on which the Fifth Cash Flow Statement is based.

## **3.0 TERMS OF REFERENCE**

3.1 In preparing this report, A&M has necessarily relied upon unaudited financial and other information supplied, and representations made to it, by certain senior management of the Company (“**Management**”). Although this information has been subject to review, A&M has not conducted an audit or otherwise attempted to verify the accuracy or completeness of any of the information prepared by Management or otherwise provided by the Company. Accordingly, A&M expresses no opinion and does not provide any other form of assurance on the accuracy and/or completeness of any information contained in this report, or otherwise used to prepare this report.

3.2 Certain of the information referred to in this report consists of financial forecasts and/or projections prepared by Management. An examination or review of financial forecasts and projections and procedures as outlined by the Chartered Professional Accountants of Canada has not been performed. Readers are cautioned that since financial forecasts and/or projections are based upon assumptions about future events and conditions that are not ascertainable, actual results will vary from those forecast and/or projected and the variations could be material.

3.3 Unless otherwise stated, all monetary amounts contained in this Eighth Report are expressed in Canadian dollars.

#### 4.0 UPDATE ON THE SISP

4.1 The activities performed by the Financial Advisor in respect of the SISP include the following:

- a) researching and identifying of potential interested parties including strategic and financial investors as well as equipment buyers;
- b) contacting 254 potential interested parties by email and telephone to determine their interest in participating in the SISP including 131 strategic investors and 123 financial investors;
- c) obtaining signed confidentiality agreements from interested parties and providing those parties with a confidential information memorandum and access to an electronic data site containing information on the Company's assets and operations;
- d) following up by email and telephone with many potential interested parties to determine their level of interest;
- e) responding to due diligence questions received from potential investors and their advisors;
- f) arranging site visits in the Northwest Territories and management presentations;
- g) participating in ongoing discussions with a number of potential purchasers; and
- h) on-going discussions and communications with liquidators and equipment dealers interested in submitting bids on the Company's mobile and mining equipment.

4.2 On August 27, 2015, A&M Securities and the Monitor were informed by Mr. Dennis Lindahl, Chief Financial Officer of NATC, of a potential conflict of interest of three directors of NATC, being Mr. Ron Erickson, Mr. Kurt Heikkila (also Chief Executive Office of NATC) and Mr. Lindahl (collectively, the "**Interested Directors**"). The Interested Directors are, to varying degrees, each involved with Queenwood Capital Partners LLC ("**Queenwood**"), a secured creditor of the Company. Mr. Lindahl advised that Queenwood intended to participate in the SISP and may make an offer to invest in or acquire the assets of NATC.

4.3 In order to address the potential conflict of the Interested Directors, the Company, with the Monitor's consent, has taken the following steps:

- a) the Board of Directors and Management of the Company have ceded complete responsibility for and authority under the SISP to the Monitor. An independent director of NATC, Mr. Bryce Porter, will be available to the Monitor to assist and connect on issues as they arise

during the Solicitation Process but will not otherwise have authority to approve any offers or bids made as part of the Solicitation Process.<sup>1</sup>

- b) all potential bidders have been made aware of Queenwood and the Interested Directors' potential participation in the Solicitation Process;
- c) Queenwood has signed an NDA as a condition of participating in the Solicitation Process, whether alone or in conjunction with any other potential bidder; and
- d) appropriate employees of NATC have been made aware of the Interested Directors' interests and advised not to speak with any of them about any aspect of the Solicitation Process including the identity of any other potential bidders and the nature of their due diligence.

## **5.0 AMENDED SISP**

5.1 In addition to the actions identified in Section 4.0, the Company is seeking the SISP Amending Order, which contemplates the approval of the Amended SISP.

5.2 The key terms of the SISP Amending Order are as follows:

- a) the Monitor shall henceforth carry out the Solicitation Process in accordance with the SISP Order, the SISP Amending Order and the Amended SISP in place of NATC with anything to be done by NATC in connection with the Solicitation Process to be done by the independent directors as approved by the Monitor from time to time, if any, exclusion of any other directors, officers or management of NATC.;
- b) the Monitor and the independent directors, or either of them, will be exclusively authorized to enter into and execute in the name of NATC such agreements as are necessary to carry out the Solicitation Process, including any non-disclosure or confidentiality agreements and any agreement accepting or entering into a transaction resulting from the Solicitation Process;
- c) the Monitor and the Financial Advisor shall incur no liability or obligation as a result of carrying out its duties under the SISP Amending Order and the Amended SISP except in the event of gross negligence or willful misconduct;
- d) all communications and information requests made by potential bidders will be made to the Financial Advisor or the Monitor, who may obtain such information from any director, officer or employee of NATC as necessary to respond to any such information requests; and
- e) except upon request by, or with the consent of, the Monitor or the Financial Advisor, no director, officer or employee of NATC shall engage in any communications with any

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<sup>1</sup> It was previously envisaged that a Special Committee of the Independent Directors would be involved in the conduct of the SISP, but the Board has since abandoned that course of action.

potential bidder regarding the Solicitation Process or, more generally, any investment in NATC or any of NATC's assets, including the sale of such assets.

#### **Monitor's Comments**

- 5.3 The Monitor is of the view that, in light of the potential conflict of the Interested Directors, the amendment of the Solicitation Process and the SISP as set forth in the draft SISP Amending Order and Amended SISP is appropriate in the circumstances, commercially reasonable and provides a sufficient degree of enhanced governance such that the integrity and efficacy of the Solicitation Process is preserved.
- 5.4 The Monitor and Financial Advisor have also communicated with select parties that remain interested in investing in or purchasing the assets of NATC's regarding recent developments and in particular the identification of the potential conflict of the Interested Directors. In that regard, the Monitor notified in writing all interested parties that remain in the Solicitation Process about the potential conflict and the manner in which the issue was being addressed by the Company and the Monitor. The Monitor posted a notice on its website which explains the potential conflict and steps being taken to mitigate any concerns regarding the fairness and integrity of the Solicitation Process. A copy of the notice to interested parties posted on the Monitor's website is attached hereto as Appendix "C"
- 5.5 The Monitor has also consulted with a number of stakeholders regarding the potential conflict of the Interested Directors, including the Government of the Northwest Territories and Callidus both of whom have indicated support for amending the Solicitation Process as proposed and described herein.
- 5.6 The Monitor remains satisfied that the Officers and Directors of the Company have acted and will continue to act, in a manner that enhances the prospects of a restructuring and/or transaction that is in the interests of all stakeholders. The declaration of Queenwood and by the Interested Directors, of their interest in participating in the SISP, has not, in the respectful view of the Monitor, compromised the Solicitation Process.

#### **6.0 CASH FLOW VARIANCE ANALYSIS**

- 6.1 The Monitor has undertaken weekly reviews of the Company's actual cash flow in comparison with that contained in the Fourth Cash Flow Statement. The Company's actual cash receipts and disbursements as compared to the Fourth Cash Flow Statement for the period from June 9, 2015 to September 4, 2015 (the "**Initial Period**") are summarized below:

**North American Tungsten Corporation Ltd.**  
**Unaudited Summary of Actual Versus Forecast Cash Flows**  
**For the period June 9, 2015 to September 4, 2015**  
**(\$000's)**

	<b>June 9 to September 4</b>		
	<b>Actual</b>	<b>Forecast</b>	<b>Variance</b>
<b>Cash Flow from Operations</b>			
Collection of accounts receivable	\$ 9,479	\$ 11,430	\$ (1,951)
Other receipts	250	444	(195)
Employee costs - mine site	(4,338)	(4,830)	492
Operating disbursements	(5,437)	(8,063)	2,625
Net cash flow from operations	(47)	(1,018)	971
Employee costs - head office	(318)	(299)	(19)
Head office disbursements	(124)	(315)	191
Development costs - Mactung	(18)	(630)	612
Restructuring professional fees	(1,163)	(1,013)	(149)
	(1,624)	(2,258)	634
<b>Net Cash Flow Before Financing</b>	(1,670)	(3,275)	1,605
<b>Net Cash Flow From Financing</b>			
Proceeds from interim financing	3,000	3,000	-
Proceeds from AR Financing Facility	-	1,843	(1,843)
Interim financing fees and interest	(140)	(120)	(21)
AR financing fees and interest	-	(62)	62
Principal and interest on existing Callidus loans	(1,288)	(1,319)	31
	1,572	3,342	(1,771)
<b>Net Cash Flow</b>	(99)	67	(165)
<b>Cash Position</b>			
Opening Cash Position	626	626	-
<b>Closing Cash Position</b>	<u>\$ 527</u>	<u>\$ 693</u>	<u>\$ (165)</u>

6.2 In summary, the Company experienced a net unfavourable cash flow variance of \$165,000 for the Initial Period. The principal components of the variance are described below:

- a) collections of accounts receivable were approximately \$2.0 million lower than forecast, primarily due to production volume that was approximately 5,000 MTUs lower than forecast and production of inventory that did not meet contract specification requirements for the existing customers of NATC;
- b) employee costs at the mine site were lower than forecast, largely due to deferred payment of payroll source deduction remittances. As at September 4, 2015, the Company had overdue post-filing payroll source deductions remittances of approximately \$216,000 as well as current payroll source deductions due of \$130,000. The Company expects to remit the



- overdue amounts during the week ending September 11, 2015 upon receipt of the first advance under the AR Financing Facility approvals for which have been delayed;
- c) other mine operating disbursements were approximately \$2.6 million lower than forecast as a result of lower than expected production levels and efforts to manage cash flow following lower than expected receipts;
  - d) development costs with respect to Mactung are \$612,000 lower than forecast as the Company has not been performing definitional drilling and environmental data collection due to liquidity constraints;
  - e) proceeds from the AR Financing Facility are \$1.8 million lower than forecast, primarily as a result of unexpected delays in approval of funding requests. As at September 4, 2015, the Company has made four shipments to GTP and as has issued three funding requests totaling \$1.2 million which have been approved by the Monitor and submitted to Callidus. The Company was expecting to receive the advances during the week ending September 11, 2015. Two additional requests for funding under the AR Financing Facility representing approximately \$900,000 have been approved by the Monitor as of even date.

## **7.0 FIFTH CASH FLOW STATEMENT**

- 7.1 Management has prepared the Fifth Cash Flow Statement, a copy of which is attached as Appendix “B”. A summary of the Fifth Cash Flow Statement is set out in the table below:

**North American Tungsten Corporation Ltd.**  
**Fifth Cash Flow Statement**  
**For the period June 9, 2015 to October 30, 2015**  
**(\$000's)**

	June 9, 2015 to September 4, 2015 Actual	September 5, 2015 to October 30, 2015 Forecast	Total
<b>Cash Flow from Operations</b>			
Collection of accounts receivable	\$ 9,479	\$ 7,338	\$ 16,817
Other receipts	250	93	343
Employee costs - mine site	(4,338)	(3,401)	(7,738)
Operating disbursements	(5,172)	(3,583)	(8,755)
Net cash flow from operations	219	448	666
Employee costs - head office	(318)	(183)	(501)
Head office disbursements	(355)	(234)	(589)
Reclamation costs	(34)	-	(34)
Development costs - Mactung	(18)	-	(18)
Restructuring professional fees	(1,163)	(620)	(1,783)
	(1,889)	(1,037)	(2,926)
<b>Net Cash Flow Before Financing</b>	(1,670)	(589)	(2,259)
<b>Net Cash Flow From Financing</b>			
Proceeds from interim financing	3,000	-	3,000
Proceeds from AR Financing Facility	-	1,705	1,705
Interim financing fees and interest	(140)	(81)	(221)
AR financing fees and interest	-	(58)	(58)
Principal and interest on existing Callidus loans	(1,288)	(758)	(2,046)
Net cash flow from financing	1,572	807	2,379
<b>Net Cash Flow</b>	(99)	218	119
<b>Cash Position</b>			
Opening Cash Position	626	527	626
<b>Closing Cash Position</b>	\$ 527	\$ 745	\$ 745

7.2 In summary, and as indicated in the Fifth Cash Flow Statement, during the eight week period from September 5, 2015 to October 30, 2015 (the “**Forecast Period**”):

- a) collection of accounts receivable of \$7.3 million is based on expected shipment of approximately 31,000 MTUs of tungsten concentrate. The Fifth Cash Flow Statement has been prepared based on the assumption that accounts receivable from WBH will be collected within five days of shipment and accounts receivable from GTP will be collected within 30 days of shipment, in accordance with the terms of their respective supply agreements;
- b) other receipts of \$93,000 include fuel and GST rebates;

- c) employee costs for the Cantung mine site and head office of approximately \$3.6 million include payroll, benefits and payroll withholdings remittances as well as funding of a trust fund to be maintained by the Monitor in respect of the Key Employee Retention Plan;
- d) other operating disbursements of \$3.6 million include mill maintenance, fuel, equipment parts and supplies, freight and expediting costs, environmental management, safety programs and site administration;
- e) head office disbursements of \$234,000 include corporate and administrative costs;
- f) restructuring professional fees are forecast to be \$620,000 during the Forecast Period for services rendered by the Company's legal counsel, the Monitor and the Monitor's legal counsel, as well A&M Securities for advisory services with respect to the SISP;
- g) proceeds from accounts receivable financing of \$1.7 million (which is forecast to be retired subsequent to the end of the Forecast Period) relate to advances under the AR Financing Facility, net of repayments;
- h) interim financing fees and interest of \$81,000 include certain interest and fees related to the Interim Lending Facility;
- i) accounts receivable financing fees and interest of \$58,000 include interest and fees related to the proposed AR Financing Facility; and
- j) principal and interest on existing Callidus loans of approximately \$758,000 includes scheduled monthly principal and interest payments. The forecast does not reflect any principal repayments that may result from the sale of equipment subject to Callidus' security.

7.3 The Company is forecasting to have approximately \$745,000 of cash on hand at the end of the Forecast Period.

## **8.0 MONITOR'S RECOMMENDATION**

8.1 The Monitor respectfully recommends that this Honourable Court grant the SISP Amending Order.

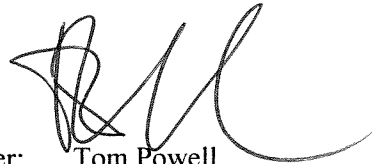
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All of which is respectfully submitted to this Honourable Court this 11<sup>th</sup> day of September, 2015.

**Alvarez & Marsal Canada Inc.,**  
in its capacity as Monitor of  
North American Tungsten Corporation Ltd.



Per: Todd M. Martin  
Senior Vice President



Per: Tom Powell  
Director

## APPENDIX A

**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

**ORDER MADE AFTER APPLICATION**

	)	THE HONOURABLE	)	
BEFORE	)		)	14 / SEP / 2015
	)	____ JUSTICE _____	)	

ON THE APPLICATION of North American Tungsten Corporation Ltd. coming on for hearing at Vancouver, British Columbia on this day, and on hearing John Sandrelli and Jordan Schultz, counsel for North American Tungsten Corporation Ltd., and those counsel listed in **Schedule "A"** hereto;

THIS COURT ORDERS that:

1. The Order of this Court made herein on July 17, 2015 (the "**SISP Order**") and the SISP (as defined in the SISP Order and attached as Schedule "B" thereto), are hereby amended such that, henceforth, Alvarez & Marsal Canada Inc. (the "**Monitor**") shall carry out the Solicitation Process in accordance herewith and the amended SISP in the form attached hereto as Schedule "B" (the "**Amended SISP**").
2. The Amended SISP is hereby approved and the Monitor, the Financial Advisor (as defined in the SISP Order) and NATC are hereby authorized and directed to

take such steps as they consider necessary or desirable to carry out their obligations under the Amended SISP.

3. The Monitor and the Independent Directors (as defined in the Amended SISP), or either of them, are hereby exclusively authorized to enter into and execute in the name of NATC such agreements as are necessary to carry out the Solicitation Process and the Amended SISP, including any non-disclosure or confidentiality agreements.
4. The Monitor and the Financial Advisor shall incur no liability or obligation as a result of them carrying out the Solicitation Process, as amended hereby, including their duties under the Amended SISP, save and except in the event of any gross negligence or willful misconduct on their part. In carrying out its duties hereunder and under the Amended SISP, the Monitor shall be entitled to all protections afforded to it under the Orders of this Court made June 26 and July 9, 2015 and under the Companies' Creditors Arrangement Act, R.S.C. 1985, c. C-36, as amended.
5. From and after the date of this Order all communications and information requests made by Potential Bidders will be made to the Financial Advisor or the Monitor, who may obtain such information from any director, officer or employee of NATC as necessary to respond to any such information requests, and, except upon request by, or with the consent of, the Monitor or the Financial Advisor, no director, officer or employee of NATC shall engage in any communications with any Potential Bidder (as defined in the Amended SISP) regarding the Amended SISP or, more generally, any investment in NATC or any of NATC's assets, including the sale of such assets.
6. The Monitor, the Financial Advisor and NATC may, from time to time, apply to this Court for advice and directions in the discharge of their duties hereunder and under the Amended SISP.

7. Endorsement of this Order by counsel appearing on this application, other than counsel for the Petitioner, is hereby dispensed with.

THE FOLLOWING PARTIES APPROVE THE FORM OF THIS ORDER AND CONSENT TO EACH OF THE ORDERS, IF ANY, THAT ARE INDICATED ABOVE AS BEING BY CONSENT:

\_\_\_\_\_  
Signature of John Sandrelli  
Lawyer for North American Tungsten Corporation Ltd.

By the Court.

\_\_\_\_\_  
Registrar



**Schedule "A"**

(List of Counsel)

<b>Name of Counsel</b>	<b>Appearing For</b>
John Sandrelli and Jordan Schultz	North American Tungsten Corporation Ltd.
Kibben Jackson	Alvarez & Marsal Canada Inc. ("Monitor")

# SCHEDULE "B"

## AMENDED SALE AND INVESTMENT SOLICITATION PROCESS

On June 9, 2015, North American Tungsten Corporation Ltd. ("NATC" or the "Company") obtained an initial order, as amended and restated by the Order dated July 9, 2015, (the "ARIO") under the *Companies' Creditors Arrangement Act*, R.S.C. 1985 c.C-36, as amended (the "CCAA") from the Supreme Court of British Columbia, Vancouver Registry (the "Court").

On July 6, 2015, the Company entered into a forbearance agreement with Callidus, as approved by the Court pursuant to the ARIO (the "**Forbearance Agreement**"), pursuant to which it agreed to produce a plan to facilitate an investment in or sale of all or substantially all of its assets, business and undertakings, and obtain approval of the same from the Court in the CCAA Proceeding, on or before July 17, 2015.

On July 17, 2015, the Court made the Solicitation Process Order in the CCAA Proceedings approving the Solicitation Process and the SISP.

On September 14, 2015, the Court made the Amending Order in the CCAA Proceedings amending the Solicitation Process Order and approving this Amended SISP.

The Solicitation Process Order as amended by the Amending Order and this Amended SISP shall exclusively govern the process for soliciting and selecting bids for the investment in or sale of all or substantially all of the assets or business of NATC.

Unless otherwise indicated, any event occurring on a day that is not a Business Day shall be deemed to occur on the next Business Day.

### **Defined Terms**

"Amended SISP" means this Amended Sale and Investment Process;

"Amending Order" means the Order of the Court amending the Solicitation Process Order and approving this Amended SISP;

"Approval Hearing" has the meaning set out in paragraph 33 herein;

"Approval Order" has the meaning set out in paragraph 33 herein;

"ARIO" has the meaning set out above;

"Auction" has the meaning set out in paragraph 26 herein;

"Auction Bidders" has the meaning set out in paragraph 26(a) herein;

"Backup Bid" has the meaning set out in paragraph 29 herein;

"Backup Bid Expiration Date" has the meaning set out in paragraph 31 herein;

"Backup Bidder" has the meaning set out in paragraph 29 herein;

"Bid Deadline" has the meaning set out in paragraph 19 herein;

“Bid Package” means the package of information to be provided by the Financial Advisor to each Potential Bidder, which shall describe the opportunity to acquire all or substantially all of the NATC Property or to invest in the Company and which shall include a draft Purchase Agreement;

“Business Day” means any day other than (a) a Saturday or Sunday; or (b) a day that is a statutory holiday in Vancouver, British Columbia;

“Callidus” means Callidus Capital Corporation;

“CCAA” has the meaning set out above;

“CCAA Proceedings” means the proceedings commenced by the Company under Supreme Court of British Columbia Action No. S154746, Vancouver Registry;

“Claims and Interests” has the meaning set out in paragraph 5 herein;

“Company” has the meaning set out above;

“Court” has the meaning set out above;

“Deposit” has the meaning set out in paragraphs 20(j) and 21.f) herein;

“Equipment” means the eighty-nine (89) pieces of equipment listed as to be sold in the equipment list attached to the Forbearance Agreement as may be supplemented by the removal or addition of other pieces on the equipment list, a copy of which is attached hereto as Schedule “A”;

“Equipment Deadline” has the meaning set out in paragraph 6 herein;

“Forbearance Agreement” has the meaning set out above;

“Financial Advisor” means Alvarez & Marsal Canada Securities ULC;

“Independent Directors” means the independent member or members of NATC’s board of directors, as approved by the Monitor from time to time, if any, and all references to “the Independent Directors” herein shall be interpreted as “the Independent Directors, if any”;

“Investment Agreement” has the meaning set out in paragraph 21.b) herein;

“Investment Proposal” means an indication of interest or proposal to invest in NATC;

“Known Potential Bidders” has the meaning set out in paragraph 8 herein;

“Leading Bid” has the meaning set out in paragraph 26(i) herein;

“Minimal Incremental Overbid” has the meaning set out in paragraph 26(i) herein;

“Monitor” means Alvarez & Marsal Canada Inc., in its capacity as Monitor of the Company pursuant to the ARIQ;

“NATC” has the meaning set out above;

“NATC Business” means the business carried on by NATC;

“NATC Property” means the property, assets and undertakings of the Company;

“Notice Parties” has the meaning set out in paragraph 38 herein;

“Parcels” means a part or portion of the NATC Property, including some or all of the NATC Property relating to the Cantung mine, or some or all of the NATC Property relating to the Mactung property;

“Parcels Sale Proposal” means a Sale Proposal for one or more Parcels;

“Potential Bidder” has the meaning set out in paragraph 11 herein;

“Purchase Agreement” has the meaning set out in paragraph 20(b) herein;

“Purchase Price” has the meaning set out in paragraph 20(b) herein;

“Qualified Bid” has the meaning set out in paragraphs 20 and 21 herein;

“Qualified Bidder” has the meaning set out in paragraph 19 herein;

“Sale Proposal” means an indication of interest or proposal to purchase all or substantially all, or one or more of the Parcels, of the NATC Property or the NATC Business;

“SISP” means this Sale and Investment Solicitation Process;

“Solicitation Process” has the meaning set out in paragraph 1 herein;

“Solicitation Process Order” means the Order of the Court approving this SISP and the Solicitation Process and making other orders and directions with respect thereto;

“Stalking Horse Bidder” has the meaning set out in paragraph 12 herein;

“Stalking Horse Purchase Agreement” has the meaning set out in paragraph 12 herein;

“Starting Bid” has the meaning set out in paragraph 26(b) herein;

“Subsequent Bid” has the meaning set out in paragraph 26(e) herein;

“Successful Bid” has the meaning set out in paragraph 29 herein;

“Successful Bidder” has the meaning set out in paragraph 29 herein; and

“Teaser” has the meaning set out in paragraph 8 herein.

#### **Solicitation Process**

1. This Amended SISP describes, among other things, the NATC property, assets and undertakings available for sale, the manner in which prospective bidders or investors may gain access to or continue to have access to due diligence materials concerning NATC, the NATC Property and the NATC Business, the manner in which bidders and bids become Qualified Bidders and Qualified

Bids, respectively, the receipt and negotiation of bids and investment offers received, the ultimate selection of one or more Successful Bids, and the approval thereof by the Court (collectively, the **“Solicitation Process”**).

2. The Monitor, with the assistance of the Financial Advisor and in consultation with the Independent Directors, shall conduct the Solicitation Process as outlined in this Amended SISP. In addition, the closing of any sale or investment transaction may involve additional intermediate steps or transactions to facilitate consummation of such sale or investment, including additional Court filings.
3. In the event that there is a disagreement or clarification required as to the interpretation or application of this Amended SISP, the Solicitation Process Order, the Amending Order or the responsibilities of the Monitor, the Financial Advisor, NATC or the Independent Directors hereunder or thereunder, the Court will have the jurisdiction to hear such matters and provide advice and directions upon the application of the Monitor or NATC with a hearing on no less than two (2) Business Days’ notice.

#### **“As Is, Where Is”**

4. The sale of the NATC Property or the NATC Business or investment in NATC will be on an “as is, where is” basis and without surviving representations, warranties, covenants or indemnities of any kind, nature or description by NATC, the Monitor, the Financial Advisor, or any of their agents, advisors, professionals or otherwise, except to the extent expressly set forth in any relevant Purchase Agreement or Investment Agreement entered into by NATC.

#### **“Free of any and all Claims and Interests”**

5. In the event of a sale, all of the rights, titles and interests of NATC in and to the NATC Property to be acquired will be sold free and clear of all pledges, liens, security interests, encumbrances, claims, charges, options, royalties and interests thereon and there against (collectively, the **“Claims and Interests”**) pursuant to approval and vesting orders made by the Court. Contemporaneously with such approval and vesting orders being made, all such Claims and Interests, to the extent valid and enforceable, shall attach to the net proceeds of the sale of such property (without prejudice to any claims or causes of action regarding priority, validity or enforceability thereof), except to the extent otherwise set forth in the relevant sale agreement with a Successful Bidder.

#### **Sale of Equipment**

6. Notwithstanding anything in this Amended SISP, NATC will be entitled to sell some or all of the Equipment, in part or in whole, at any point during the Solicitation Process described herein, in order to meet its obligations under the Forbearance Agreement. With respect to parties interested in making a bid solely for the Equipment, there shall be an Equipment Bid Deadline of August 15, 2015.
7. Without limiting the generality of the foregoing, the Monitor may, after consultation with the Financial Advisor and the Independent Directors, solicit from any interested entities offers to

purchase, or liquidation proposals in respect of, some or all of the Equipment, either before or after the Bid Deadline.

#### **Solicitation of Interest**

8. As soon as reasonably practicable, the Monitor, in conjunction with the Financial Advisor and in consultation with the Independent Directors, will finalize a list of potential bidders (the “**Known Potential Bidders**”) for an investment in NATC or the purchase of some or all of the NATC Business or the NATC Property. Such list will include both strategic and financial parties who, in the Financial Advisor’s reasonable business judgment, may be interested in investing in NATC or acquiring the NATC Business or the NATC Property. NATC and the Financial Advisor have prepared a solicitation letter summarizing the opportunity (the “**Teaser**”) and will notify Known Potential Bidders of the existence of the Solicitation Process and invite the Known Potential Bidders to enter into a confidentiality agreement with NATC and to express their interest in making an offer to acquire all or substantially all of the NATC Business, the NATC Property, or one or more of the Parcels. The Financial Advisor and the Monitor, in consultation with the Independent Directors, will distribute the Teaser to the Known Potential Bidders and any other party which the Financial Advisor, NATC, the Independent Directors and the Monitor deem appropriate. The Monitor, in consultation with the Financial Advisor and the Independent Directors, reserves the right to consider other channels to solicit interest of Known Potential Bidders as deemed appropriate, including direct advertisement in print and electronic media.

#### **Participation Requirements**

9. Unless otherwise ordered by the Court, in order to receive the Bid Package, conduct its due diligence and participate in the Solicitation Process, an interested party must deliver the following to the Financial Advisor:
  - a. An executed confidentiality agreement in form and substance acceptable to the Monitor and the Financial Advisor, which shall inure to the benefit of any purchaser of the NATC Business or NATC Property or any investor in NATC;
  - b. A letter setting forth the identity of the Potential Bidder, the contact information for such Potential Bidder and full disclosure of the direct and indirect owners of the Potential Bidder and their principals; and,
  - c. An executed letter acknowledging receipt of a copy of the Solicitation Process Order and agreeing to accept and be bound by the provisions contained in the Solicitation Process Order and this SISF.
10. For the purposes of paragraph 9, the Monitor and any of the Independent Directors, or either of them, are exclusively authorized to execute any confidentiality agreement contemplated herein or any other agreement required in connection with the Solicitation Process and this Amended SISF on behalf of NATC. For clarity, no other person may execute a confidentiality agreement or any

other agreement required in connection with the Solicitation Process and this Amended SISP on behalf of NATC.

11. An interested party will be deemed in each case a “**Potential Bidder**” after they have satisfied all of the requirements described above.

#### **Stalking Horse**

12. At the discretion of the Monitor and the Financial Advisor, in consultation with the Independent Directors, a stalking horse bidder (a “**Stalking Horse Bidder**”) may be approved and permitted to submit a stalking horse purchase agreement (the “**Stalking Horse Purchase Agreement**”) upon such terms as may be agreed upon by the Monitor. Any such Stalking Horse Purchase Agreement and Stalking Horse Bidder shall be subject to approval by the Court the terms of which may include break-fees, expense reimbursement or other similar type of payment..

#### **Due Diligence**

13. The Financial Advisor will provide to each Potential Bidder a Bid Package, including a confidential information memorandum prepared in consultation with the Independent Directors, describing the opportunity to acquire all, or substantially all, of the NATC Business or the NATC Property, the Equipment, one or more of the Parcels, or to invest in NATC.
14. Each Potential Bidder shall have such access to materials and information relating to the NATC Property and the NATC Business for the purpose of conducting due diligence as the Monitor and the Financial Advisor, in their collective reasonable business judgment, in consultation with the Independent Directors, deem appropriate.
15. At the discretion of the Monitor, due diligence access may include management presentations (as may be scheduled by the Monitor), access to physical and online data-rooms, on-site inspections and such other matters as a Potential Bidder may reasonably request and as to which the Monitor, in its reasonable exercise of discretion, in consultation with the Independent Directors, may agree. Neither the Monitor nor NATC shall be obligated to furnish any due diligence information after the Bid Deadline.
16. NATC, the Independent Directors, the Financial Advisor and the Monitor (and their respective officers, directors, employees, members, agents, counsel and professionals) are not responsible for, and will have no liability with respect to, any information obtained by any Known Potential Bidder, Potential Bidder or Qualified Bidder in connection with the NATC Business or the NATC Property. NATC, the Independent Committee, the Financial Advisor and the Monitor (and their respective officers, directors, employees, members, agents, counsel and professionals) do not make any representations or warranties whatsoever as to the information or the material provided, except in the case of NATC, to the extent expressly provided under a Purchase Agreement or Investment Agreement executed and delivered by a Successful Bidder (or Backup Bidder, if any, as the case may be).

17. Prior to the Bid Deadline, the Financial Advisor and the Monitor may engage in discussions with any or all of the Potential Bidders to determine and explore the level of interest of any such Potential Bidder and may request from any such Potential Bidder such further information as the Financial Advisor and the Monitor may deem appropriate.
18. All communications and information requests made by Potential Bidders will be made to the Financial Advisor or the Monitor, who may obtain such information from any director, officer or employee of NATC as necessary to respond to any such information requests, and, except upon request by, or with the consent of, the Monitor or the Financial Advisor, no director, officer or employee of NATC shall engage in any communications with any Potential Bidder regarding the Solicitation Process.

#### **Sale Bidding Process**

19. In order to qualify as a “**Qualified Bidder**”, a Potential Bidder must deliver a Qualified Bid to the Notice Parties so as to be received by the Notice Parties no later than 12:00pm (Vancouver time) on September 30, 2015 (the “**Bid Deadline**”).
20. A Sale Proposal will be considered a “**Qualified Bid**” only if the Sale Proposal complies with all of the following:
  - a. It includes a letter stating that the Sale Proposal is irrevocable until the earlier of (a) the approval by the Court of a Successful Bid; and (b) 30 days following the Bid Deadline; provided however that if such Sale Proposal is selected as the Successful Bid or the Backup Bid, it shall remain irrevocable until the closing of the Successful Bid or the Backup Bid, as the case may be;
  - b. It includes a duly authorized and executed purchase and sale agreement (the “**Purchase Agreement**”) specifying the purchase price (the “**Purchase Price**”) and requiring a closing of the purchase transaction no later than November 30, 2015, together with all exhibits and schedules thereto, and such ancillary agreements as may be required by the Qualified Bidder with all exhibits and schedules thereto (or term sheets that describe the material terms and provisions of such ancillary agreements), as well as copies of such materials marked to show the amendments and modifications to the Purchase Agreement and such ancillary agreements and the proposed orders to approve the sale by the Court;
  - c. It does not include any request or entitlement to any break-fee, expense reimbursement or similar type of payment except in the event that the Qualified Bidder hereunder is the Stalking Horse Bidder;
  - d. It includes written evidence of a firm, irrevocable commitment for all required funding and/or financing from a creditworthy bank or financial institution to consummate the proposed transaction, or other evidence satisfactory to the Financial Advisor and the Monitor, in consultation with the Independent Directors, to allow the Monitor and the Financial Advisor to make a reasonable determination as to the Potential Bidder’s (and its



direct and indirect owners and their principals) financial and other capabilities to consummate the transaction contemplated by the Sale Proposal;

- e. It is not conditioned on (i) the outcome of unperformed due diligence by the Potential Bidder; and/or (ii) obtaining any financing and includes an acknowledgement and representation that the Potential Bidder has had an opportunity to conduct any and all required due diligence prior to making its Sale Proposal;
- f. It fully discloses the identify of each entity that is bidding or otherwise that will be sponsoring or participating in the Sale Proposal, including the identification of the Potential Bidder's direct and indirect owners and their principals, and the complete terms of any such participation;
- g. It includes an acknowledgement and representation that the Potential Bidder will assume the obligations of NATC under any executory contracts and unexpired leases proposed to be assigned and, to the extent applicable, contains full details of the Potential Bidder's proposal for the treatment thereof; and it identifies with particularity any executory contract or unexpired leases the assumption and assignment of which is a condition to closing;
- h. It includes an acknowledgement and representation that the Potential Bidder: (i) has relied solely upon its own independent review, investigation and/or inspection of any documents, information and other due diligence materials, and/or the assets to be acquired and liabilities to be assumed in making its Sale Proposal; (ii) did not rely upon any written or oral statements, representations, promises, warranties or guarantees whatsoever, whether express or implied (by operation of law or otherwise), regarding the assets to be acquired or liabilities to be assumed or the completeness of any information provided in connection therewith, including by NATC, the Financial Advisor or the Monitor (and their respective officers, directors, employees, agents, counsel and professionals), except as expressly stated in the Purchase Agreement submitted by it; (iii) is a sophisticated party capable of making its own assessments in respect of making its Sale Proposal; and (iv) has had the benefit of independent legal, tax, accounting and other relevant professional advice in connection with its Sale Proposal;
- i. It includes evidence, in form and substance reasonably satisfactory to the Financial Advisor and the Monitor of authorization and approval from the Potential Bidder's board of directors (or comparable governing body), with respect to the submission, execution, delivery and closing of the transaction contemplated by the Sale Proposal;
- j. It is accompanied by a refundable deposit (the "**Deposit**") in the form of a wire transfer (to a trust account specified by the Monitor) or such other form acceptable to the Monitor, payable to the order of Alvarez & Marsal Canada Inc., Monitor, in trust, in an amount equal to ten percent (10%) of the Purchase Price, to be held in accordance with paragraph 35 hereof and the terms of the Solicitation Process Order;

- k. If the Potential Bidder is an entity newly formed for the purpose of the transaction, the bid shall contain an equity or debt commitment letter from the parent entity or sponsor, which is satisfactory to the Financial Advisor and the Monitor, that names NATC as third party beneficiary of any such commitment letter with recourse against such parent entity or sponsor;
  - l. It includes evidence, in form and substance reasonably satisfactory to the Financial Advisor and the Monitor, of compliance or anticipated compliance with any and all applicable regulatory approvals (including, if applicable, anti-trust regulatory approval) or the anticipated time frame for such compliance and any outstanding conditions or anticipated impediments for obtaining such approvals;
  - m. It includes evidence of the Potential Bidder's ability to comply with section 11.3 of the CCAA (to the extent applicable), which includes providing adequate assurance of the Potential Bidder's ability to perform the contracts and leases proposed in its Sale Proposal to be assumed by the Potential Bidder, in a form that will permit the immediate dissemination of such evidence to the counterparties to such contracts and leases; and,
  - n. It contains any other information reasonably requested by the Monitor or the Financial Advisor, in consultation with the Independent Directors.
21. An Investment Proposal will be considered a "**Qualified Bid**" only if the Investment Proposal complies with all of the following:
- a. It includes a letter stating that the Investment Proposal is irrevocable until the earlier of (a) the approval by the Court of a Successful Bid; and (b) 30 days following the Bid Deadline; provided however that if such Investment Proposal is selected as the Successful Bid or the Backup Bid, it shall remain irrevocable until the closing of the transactions contemplated by the Investment Proposal;
  - b. It includes duly authorized and executed binding definitive documentation (collectively, the "Investment Agreement") setting out the terms and conditions of the proposed transaction, including the aggregate amount of the proposed equity and debt investment and details regarding the proposed equity and debt structure of NATC following completion of the proposed transaction, and providing for a closing of the transaction no later than November 30, 2015;
  - c. It does not include any request or entitlement to any break-fee, expense reimbursement or similar type of payment in the event that the Qualified Bidder hereunder is the Stalking Horse Bidder;
  - d. It includes written evidence of a firm, irrevocable commitment for all required funding and/or financing from a creditworthy bank or financial institution to consummate the

proposed transaction, or other evidence satisfactory to the Monitor and the Financial Advisor, in consultation with the Independent Directors, to allow the Monitor to make a reasonable determination as to the Potential Bidder's (and its direct and indirect owners and their principals) financial and other capabilities to consummate the transaction contemplated by the Investment Proposal;

- e. It is not conditioned on (i) the outcome of unperformed due diligence by the Potential Bidder and/or (ii) obtaining any financing capital, and includes an acknowledgement and representation that the Potential Bidder has had an opportunity to conduct any and all required due diligence prior to making its Investment Proposal;
- f. It is accompanied by a refundable deposit (the "**Deposit**") in the form of a wire transfer (to a trust account specified by the Monitor) or such other form acceptable to the Monitor, payable to the order of Alvarez & Marsal Canada Inc., Monitor, in trust, in an amount equal to ten percent (10%) of the total value of the consideration under the Investment Agreement, to be held in accordance with paragraph 35 hereof and the terms of the Solicitation Process Order;
- g. If the Potential Bidder is an entity newly formed for the purpose of the transaction, the bid shall contain an equity or debt commitment letter from the parent entity or sponsor, which is satisfactory to the the Financial Advisor and the Monitor, that names NATC as third party beneficiary of any such commitment letter with recourse against such parent entity or sponsor; and
- h. It contains any other information reasonably requested by the Monitor or the Financial Advisor, in consultation with the Independent Directors.

22. Notwithstanding paragraphs 19, 20 and 21, the Monitor, in consultation with the Financial Advisor and the Independent Directors, may waive compliance with any one or more of the Qualified Bid requirements specified above, and deem such non-compliant bids to be Qualified Bids.

#### **No Qualified Bids**

23. Following the Bid Deadline, the Monitor, in consultation with the Financial Advisor and the Independent Directors, will assess the Qualified Bids received, if any, and determine whether it is likely that the transactions contemplated by such Qualified Bids are likely to be consummated and whether proceeding with this Amended SISP is in the best interests of NATC and its stakeholders. Such determination will be made as promptly as practicable but no later than five (5) Business Days after the Bid Deadline.

24. If the Monitor, in accordance with paragraph 23 above, determines that (a) no Qualified Bid was received, (b) at least one Qualified Bid was received but it is not likely that the transactions contemplated in any such Qualified Bids will be consummated; or (c) proceeding with this SISP is not in the best interests of NATC and its stakeholders, the Monitor shall forthwith (i) terminate this Amended SISP; (ii) notify each Potential Bidder (including any Qualified Bidder(s)) that this

Amended SISP has been terminated; (iii) consult with its stakeholders and the Independent Directors regarding NATC's next steps; and (iv) report to the Court if deemed appropriate by the Independent Directors or the Monitor.

25. If the Monitor, in accordance with paragraph 23 above, determines that (a) one or more Qualified Bids were received, (b) it is likely that the transactions contemplated by one or more of such Qualified Bids will be consummated, and (c) proceeding with this Amended SISP is in the best interests of NATC and its stakeholders, this Amended SISP will not be terminated and the Monitor, in consultation with the Financial Advisor and the Independent Directors, will either: (i) proceed to negotiate with one or more of the Qualified Bidders in an attempt to conclude a transaction, or (ii) proceed to an Auction; and the Financial Advisor will promptly notify all Qualified Bidders that they are entitled to participate in the Auction. In considering whether to proceed with an Auction, due regard will be given to whether or not all Qualified Bids are either all Sale Proposals or Investment Proposals.

#### **Auction**

26. If, in accordance with paragraph 25 above, the Auction is to be held, the Monitor will conduct an auction (the "**Auction**") commencing at 9:30 a.m. (Vancouver time) on October 14, 2015, at the offices of Dentons Canada LLP, 20<sup>th</sup> Floor, 250 Howe Street, Vancouver, British Columbia, or such other location as shall be communicated on a timely basis to all entities entitled to attend at the Auction, which Auction may be adjourned by the Monitor, after consultation with the Independent Directors and the Financial Advisor. The Auction shall be run in accordance with the following procedures, which may be modified by the Monitor in its discretion, after consultation with the Independent Directors and the Financial Advisor:
- a. At least three (3) Business Days prior to the Auction, each Qualified Bidder must inform the Monitor and the Financial Advisor in writing whether it intends to participate in the Auction (the parties who so inform NATC and the Financial Advisor, the "**Auction Bidders**");
  - b. At least two (2) Business Days prior to the Auction, the Financial Advisor will provide copies of the Qualified Bid(s) which the Monitor (after consultation with the Financial Advisor and the Independent Directors), believes (individually or in the aggregate) to be the highest or otherwise best Qualified Bid(s) (the "**Starting Bid**") to all Auction Bidders;
  - c. Only representatives of the Auction Bidders, the Independent Directors, the Financial Advisor and the Monitor, and such other persons permitted by the Independent Directors and the Monitor (and the advisors to each of the forgoing) are entitled to attend the Auction;
  - d. At the commencement of the Auction, each Auction Bidder shall be required to confirm that it has not engaged in any collusion with any other Auction Bidder with respect to the bidding or any sale or investment;

- e. Only the Auction Bidders will be entitled to make any bids at the Auction (each a “**Subsequent Bid**”), provided however that in the event that any Qualified Bidder elects not to attend and/or participate in the Auction and such Qualified Bidder’s Qualified Bid is the Starting Bid, it shall nevertheless remain fully enforceable against such Qualified Bidder if it is selected as the Successful Bid or the Backup Bid at the conclusion of the Auction;
- f. All Subsequent Bids presented during the Auction shall be made and received in one room on an open basis. All Auction Bidders will be entitled to be present for all Subsequent Bids at the Auction with the understanding that the true identity of each Auction Bidder at the Auction will be fully disclosed to all other Auction Bidders at the Auction and that all material terms of each Subsequent Bid will be fully disclosed to all other Auction Bidders throughout the entire Auction;
- g. All Auction Bidders must have at least one individual representative with authority to bind such Auction Bidder present in person at the Auction;
- h. The Monitor, after consultation with the Independent Directors and the Financial Advisor, may employ and announce at the Auction additional procedural rules that are reasonable under the circumstances, (e.g. the amount of time allotted to make Subsequent Bids, requirement to bid in each round, and the ability of multiple Auction Bidders to combine to present a single bid) for conducting the Auction, provided that such rules are (i) not inconsistent with any applicable law, and (ii) disclosed to each Auction Bidder at the Auction;
- i. Bidding at the Auction will begin with the Starting Bid and continue, in one or more rounds of bidding, so long as during each round at least one Subsequent Bid is submitted by an Auction Bidder that the Monitor determines, after consultation with the Financial Advisor and the Independent Directors, is (A) for the first round, a higher or otherwise better offer than the Starting Bid, and (B) for subsequent rounds, a higher or otherwise better offer than the Leading Bid; in each case by net value to NATC of at least \$250,000 over the Starting Bid or the Leading Bid, as the case may be (the “**Minimal Incremental Overbid**”); provided however that the Monitor, after consultation with the Independent Directors and the Financial Advisor, shall retain the right to modify the incremental requirements at the Auction and provided further that the Monitor, in determining the net value of an incremental bid, shall not be limited to evaluating the incremental dollar value of such bid and may consider any other factors as set out in paragraph 28. After each Subsequent Bid, the Monitor shall, after consultation with the Independent Directors and the Financial Advisor, announce whether such bid (including the value and material terms thereof) is higher or otherwise better than the prior bid (the “**Leading Bid**”). A round of bidding will conclude after each Auction Bidder has the opportunity to submit a Subsequent Bid with full knowledge of the Leading Bid;

- j. The Monitor reserves the right, in its reasonable business judgment after consultation with the Independent Directors and the Financial Advisor, to make one or more adjournments in the Auction of no more than 24 hours each to, among other things (i) facilitate discussions between the Independent Directors and any or more of the Auction Bidders; (ii) allow the individual Auction Bidders to determine how they wish to proceed; (iii) consider and determine the Leading Bid at any given time in the Auction; and (iv) give Auction Bidders the opportunity to provide the Independent Directors with such additional evidence as the Independent Directors, in its reasonable business judgment, may require to establish that the Auction Bidder has sufficient internal resources, or has received such non-contingent debt and/or equity funding commitments to consummate the transaction proposed in that Auction Bidder's most recent Subsequent Bid;
- k. If, in any round of bidding, no new Subsequent Bid is made that becomes a Leading Bid, the Auction shall be closed;
- l. The Auction shall be closed within five (5) Business Days of the start of the Auction unless extended by the Monitor with the consent of the Independent Directors; and,
- m. No bids (from Qualified Bidders or otherwise) shall be considered after the conclusion of the Auction.

#### **Selection Criteria**

- 27. In selecting any Starting Bid or Leading Bid, the Successful Bid and any Backup Bid, the Monitor, in consultation with the Financial Advisor and the Independent Directors, will review each Qualified Bid. In determining the highest and best offer among Qualified Bids, a single Qualified Bid for all or substantially all of the NATC Property and/or NATC Business generally will be viewed as preferable to a combination of Qualified Bids consisting of multiple Parcels.
- 28. Evaluation criteria with respect to any Qualified Bid may include, but are not limited to, items such as (a) the purchase price and the net value, including assumed liabilities or other obligations to be performed or assumed by the bidder, provided by such bid; (b) the claims likely to be created by such bid in relation to the other bids; (c) the counterparties to the transaction; (d) the proposed revisions to the Purchase Agreement or Investment Agreement and the terms of the transaction documents; (e) other factors affecting the speed, certainty and value of the transaction, including conditions and any regulatory approvals required to close the transaction; (f) the assets included or excluded from the bid and the transaction costs and risks associated with closing multiple transactions versus a single transaction for all or substantially all of the NATC Property and/or the NATC Business; (g) the estimated number of employees of NATC that will be offered post-closing employment by the bidder and any proposed measures associated with their continued employment; (h) the transition services required from NATC post-closing and any related restructuring costs; (i) any proposed relationships or engagement with First Nations communities and (j) the likelihood and timing of consummating the transaction.

29. Upon the conclusion of the bidding, the Auction (if any) shall be closed and the Monitor, after consultation with the Independent Directors and the Financial Advisor, will identify the highest or otherwise best Qualified Bid received (such offer, the “**Successful Bid**”) and the next highest or otherwise best Qualified Bid received (such offer, the “**Backup Bid**”), if any. The Qualified Bidder(s) who made the Successful Bid is the “**Successful Bidder**” and the Qualified Bidder(s) who made the Backup Bid is the “**Backup Bidder**”. Within five (5) Business Days of the later of the Bid Deadline or the conclusion of the Auction (if any), the Monitor will notify the Qualified Bidders of the identities of the Successful Bidder and the Backup Bidder (if any).
30. NATC shall finalize a definitive agreement in respect of the Successful Bid and the Backup Bid, if any, conditional upon the approval of the Court.
31. The Backup Bid shall remain open until the later of the consummation of the transaction contemplated by the Successful Bid or the consummation of the transactions contemplated by the Backup Bid, if applicable (the “**Backup Bid Expiration Date**”).
32. All Qualified Bids (other than the Successful Bid and the Backup Bid) shall be deemed rejected by NATC on and as of the later of the date of approval of the Successful Bid and the Backup Bid by the Court.

#### **Approval Hearing**

33. Within five (5) Business Days of the date of the definitive agreement(s) with the Successful Bidder and the Backup Bidder (if any), NATC shall seek a hearing to be held on a date, no later than October 31, 2015, to be scheduled by NATC (the “**Approval Hearing**”) to authorize NATC to enter into an agreement with the Qualified Bidder or in respect to the Successful Bid, and in the event that the Successful Bid does not close for any reason, to enter into an agreement with respect to any Backup Bid (the “**Approval Order**”). The Approval Hearing may be adjourned or rescheduled by NATC in consultation with the Monitor, without further notice, by notice to the service list maintained by NATC and the Monitor in the CCAA proceedings.
34. If, following the approval of the Successful Bid by the Court, the Successful Bidder fails to consummate the transaction for any reason, then the Backup Bid, if any, will be deemed to be the Successful Bid hereunder and NATC shall effect a transaction with the Backup Bidder subject to the terms of the Backup Bid, without further order of the Court.

#### **Deposits**

35. All Deposits shall be retained by the Monitor and invested in an interest bearing trust account in a Schedule I Bank in Canada. Upon closing of the transaction with the Successful Bidder, the Deposit (plus accrued interest) paid by the Successful Bidder shall be released by the Monitor to NATC (and/or to other third parties as otherwise directed by Court Order) and applied to the purchase price to be paid by the Successful Bidder. The Deposit (plus accrued interest) paid by the Backup Bidder (if any) shall be retained by the Monitor until the Backup Bid Expiration Date (at which time it (plus applicable interest) shall be returned to the Backup Bidder), or, if the Backup

Bid becomes the Successful Bid, shall be released by the Monitor to NATC and applied to the purchase price or investment amount under the Purchase Agreement or Investment Agreement upon closing of the Backup Bid. The Deposits (plus applicable interest) of all Qualified Bidders not selected as the Successful Bidder or Backup Bidder shall be returned to such bidders within five (5) Business Days of the date upon which the Qualified Bidder, the Successful Bid and the Backup Bid are approved by the Court. If the this SISP is terminated in accordance with the terms in this document, all Deposits shall be returned to the bidders within five (5) Business Days of the date upon which it is determined that this SISP is terminated.

36. If the Successful Bidder and/or Backup Bidder as applicable breaches its obligations to close, it shall forfeit its Deposit to NATC, provided however that the forfeit of such Deposit shall be in addition to, and not in lieu of, any other rights in law or equity that NATC has against such breaching entity.

#### **Approvals**

37. For greater certainty, the approvals required pursuant to the terms of this Amended SISP are in addition to and not in substitution for any other approvals required by the CCAA or any other statute or are otherwise required at law in order to implement a definitive agreement with a Successful Bidder or a Backup Bidder, as the case may be.

#### **Notice Parties**

38. As used herein, the “**Notice Parties**” are, collectively, the Independent Directors, the Financial Advisor and the Monitor. The addresses to be used for delivering documents to the Notice Parties are as follows:

##### **To the Independent Directors:**

North American Tungsten Corporation Ltd.  
c/o Dentons Canada LLP  
20<sup>th</sup> Floor, 250 Howe Street  
Vancouver, BC V6C 3R8

Attn: John R. Sandrelli  
Email: john.sandrelli@dentons.com  
AND  
Attn: Michael Axford  
Email: michael.axford@dentons.com



**To the Monitor:**

Alvarez & Marsal Canada Inc.  
400 Burrard Street  
Suite 1680, Commerce Place  
Vancouver, BC V6C 3A6

Attn: Todd Martin  
Email: [tmartin@alvarezandmarsal.com](mailto:tmartin@alvarezandmarsal.com)  
AND  
Attn: Tom Powell  
Email: [tpowell@alvarezandmarsal.com](mailto:tpowell@alvarezandmarsal.com)

**with copy to:**

Fasken Martineau DuMoulin LLP  
2900-550 Burrard Street  
Vancouver, BC V6C 0A3

Attn: Kibben Jackson  
Email: [kjackson@fasken.com](mailto:kjackson@fasken.com)  
AND  
Attn: Vicki Tickle  
E-mail: [vtickle@fasken.com](mailto:vtickle@fasken.com)

**To the Financial Advisor:**

Alvarez & Marsal Securities Canada ULC  
400 Burrard Street  
Suite 1680, Commerce Place  
Vancouver, BC V6C 3A6

Attn: Callum Beveridge  
Email: [cbeveridge@alvarezandmarsal.com](mailto:cbeveridge@alvarezandmarsal.com)

39. A bid shall be delivered to all Notice Parties at the same time by electronic mail, personal delivery or courier.
40. Interested bidders requesting information about the qualification process, including the form of Purchase Agreement, and information in connection with their due diligence should contact the Financial Advisor.

**Reservation of Rights**

41. The Monitor, after consultation with the Financial Advisor and the Independent Directors:
- a. May reject, at any time any bid that is (i) inadequate or insufficient; (ii) not in conformity with the requirements of the CCAA, this Amended SISP or any orders of the Court applicable to NATC; and/or (iii) contrary to the interests of NATC, its estate or stakeholders, as determined by the Independent Directors, the Financial Advisor and the Monitor;
  - b. In accordance with the terms hereof, may impose additional terms and conditions and otherwise seek to modify this Amended SISP at any time in order to maximize the results obtained;

- c. In accordance with the terms hereof, may accept bids not in conformity with this Amended SISP to the extent that the Monitor, in consultation with the Financial Advisor and the Independent Directors, in their reasonable business judgment, determines that doing so will benefit NATC, its estate and its stakeholders; and,
  - d. extend the deadlines contained in this SISP, provided that the Bid Deadline shall not be extended beyond September 30, 2015 and a potential Auction shall not be extended beyond October 16, 2015, without the prior written consent of Callidus.
42. At or before the Approval Hearing, the Monitor may impose such other terms and conditions in the negotiation of a Purchase Agreement or Investment Agreement, as applicable, as it may, in consultation with the Independent Directors, determine to be in the best interest of NATC's estates and stakeholders, provided that such terms and conditions are not inconsistent with this Amended SISP.
43. This Amended SISP does not, and shall not be interpreted to, create any contractual or other legal relationship between NATC and any other party, other than as specifically set forth in definitive agreements that may be executed by NATC.

**No Amendment**

44. Except as provided herein, there shall be no amendments to this Amended SISP, including for greater certainty the process and procedures set out in this document, without the prior written consent of the Monitor unless otherwise ordered by the Court upon application and appropriate notice.

**Further Orders**

45. At any time during this Amended SISP, the Monitor, the Financial Advisor, the Independent Directors and NATC may apply to the Court for advice and directions with respect to the discharge of their powers and duties hereunder.

## **SCHEDULE “A”**

### **Equipment List**

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

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**ORDER MADE AFTER APPLICATION**

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DENTONS CANADA LLP  
BARRISTERS & SOLICITORS  
250 Howe Street, 20<sup>th</sup> Floor  
Vancouver, BC V6C 3R8  
Tel.: (604) 687-4460  
Attention: John Sandrelli

File No. 508753-89

## **AMENDED SALE AND INVESTMENT SOLICITATION PROCESS**

On June 9, 2015, North American Tungsten Corporation Ltd. (“**NATC**” or the “**Company**”) obtained an initial order, as amended and restated by the Order dated July 9, 2015, (the “**ARIO**”) under the *Companies’ Creditors Arrangement Act*, R.S.C. 1985 c.C-36, as amended (the “**CCAA**”) from the Supreme Court of British Columbia, Vancouver Registry (the “**Court**”).

On July 6, 2015, the Company entered into a forbearance agreement with Callidus, as approved by the Court pursuant to the ARIO (the “**Forbearance Agreement**”), pursuant to which it agreed to produce a plan to facilitate an investment in or sale of all or substantially all of its assets, business and undertakings, and obtain approval of the same from the Court in the CCAA Proceeding, on or before July 17, 2015.

On July 17, 2015, the Court made the Solicitation Process Order in the CCAA Proceedings approving the Solicitation Process and the SISP.

On September 14, 2015, the Court made the Amending Order in the CCAA Proceedings amending the Solicitation Process Order and approving this Amended SISP.

The Solicitation Process Order as amended by the Amending Order and this Amended SISP shall exclusively govern the process for soliciting and selecting bids for the investment in or sale of all or substantially all of the assets or business of NATC.

Unless otherwise indicated, any event occurring on a day that is not a Business Day shall be deemed to occur on the next Business Day.

### **Defined Terms**

“Amended SISP” means this Amended Sale and Investment Process;

“Amending Order” means the Order of the Court amending the Solicitation Process Order and approving this Amended SISP;

“Approval Hearing” has the meaning set out in paragraph ~~34~~33 herein;

“Approval Order” has the meaning set out in paragraph ~~34~~33 herein;

“ARIO” has the meaning set out above;

“Auction” has the meaning set out in paragraph ~~24~~26 herein;

“Auction Bidders” has the meaning set out in paragraph ~~24~~26(a) herein;

“Backup Bid” has the meaning set out in paragraph ~~27~~29 herein;

“Backup Bid Expiration Date” has the meaning set out in paragraph ~~29~~31 herein;

“Backup Bidder” has the meaning set out in paragraph ~~27~~29 herein;

“Bid Deadline” has the meaning set out in paragraph ~~17~~19 herein;

“Bid Package” means the package of information to be provided by the Financial Advisor to each Potential Bidder, which shall describe the opportunity to acquire all or substantially all of the NATC Property or to invest in the Company and which shall include a draft Purchase Agreement;

“Business Day” means any day other than (a) a Saturday or Sunday; or (b) a day that is a statutory holiday in Vancouver, British Columbia;

“Callidus” means Callidus Capital Corporation;

“CCAA” has the meaning set out above;

“CCAA Proceedings” means the proceedings commenced by the Company under Supreme Court of British Columbia Action No. S154746, Vancouver Registry;

“Claims and Interests” has the meaning set out in paragraph 5 herein;

“Company” has the meaning set out above;

“Court” has the meaning set out above;

“Deposit” has the meaning set out in paragraphs ~~18~~20(j) and ~~19-21~~21.f) herein;

“Equipment” means the eighty-nine (89) pieces of equipment listed as to be sold in the equipment list attached to the Forbearance Agreement as may be supplemented by the removal or addition of other pieces on the equipment list, a copy of which is attached hereto as Schedule “A”;

“Equipment Deadline” has the meaning set out in paragraph 6 herein;

“Forbearance Agreement” has the meaning set out above;

“Financial Advisor” means Alvarez & Marsal Canada Securities ULC;

“Independent Directors” means the independent member or members of NATC’s board of directors, as approved by the Monitor from time to time, if any, and all references to “the Independent Directors” herein shall be interpreted as “the Independent Directors, if any”;

“Investment Agreement” has the meaning set out in paragraph ~~19-21~~21.b) herein;

“Investment Proposal” means an indication of interest or proposal to invest in NATC;

“Known Potential Bidders” has the meaning set out in paragraph 8 herein;

“Leading Bid” has the meaning set out in paragraph ~~24~~26(i) herein;

“Minimal Incremental Overbid” has the meaning set out in paragraph ~~24~~26(i) herein;

“Monitor” means Alvarez & Marsal Canada Inc., in its capacity as Monitor of the Company pursuant to the ARIO;

“NATC” has the meaning set out above;

“NATC Business” means the business carried on by NATC;

“NATC Property” means the property, assets and undertakings of the Company;

“Notice Parties” has the meaning set out in paragraph ~~36~~38 herein;

“Parcels” means a part or portion of the NATC Property, including some or all of the NATC Property relating to the Cantung mine, or some or all of the NATC Property relating to the Mactung property;

“Parcels Sale Proposal” means a Sale Proposal for one or more Parcels;

“Potential Bidder” has the meaning set out in paragraph ~~40~~11 herein;

“Purchase Agreement” has the meaning set out in paragraph ~~18~~20(b) herein;

“Purchase Price” has the meaning set out in paragraph ~~18~~20(b) herein;

“Qualified Bid” has the meaning set out in paragraphs ~~18~~20 and ~~19~~21 herein;

“Qualified Bidder” has the meaning set out in paragraph ~~17~~19 herein;

“Sale Proposal” means an indication of interest or proposal to purchase all or substantially all, or one or more of the Parcels, of the NATC Property or the NATC Business;

“SISP” means this Sale and Investment Solicitation Process;

“Solicitation Process” has the meaning set out in paragraph 1 herein;

“Solicitation Process Order” means the Order of the Court approving this SISP and the Solicitation Process and making other orders and directions with respect thereto;

“Stalking Horse Bidder” has the meaning set out in paragraph ~~11~~12 herein;

“Stalking Horse Purchase Agreement” has the meaning set out in paragraph ~~11~~12 herein;

“Starting Bid” has the meaning set out in paragraph ~~24~~26(b) herein;

“Subsequent Bid” has the meaning set out in paragraph ~~24~~26(~~g~~) herein;

“Successful Bid” has the meaning set out in paragraph ~~27~~29 herein;

“Successful Bidder” has the meaning set out in paragraph ~~27~~29 herein; and

“Teaser” has the meaning set out in paragraph 8 herein.

### **Solicitation Process**

1. This Amended SISP describes, among other things, the NATC property, assets and undertakings available for sale, the manner in which prospective bidders or investors may gain access to or continue to have access to due diligence materials concerning NATC, the NATC Property and the NATC Business, the manner in which bidders and bids become Qualified Bidders and Qualified

Bids, respectively, the receipt and negotiation of bids and investment offers received, the ultimate selection of one or more Successful Bids, and the approval thereof by the Court (collectively, the “Solicitation Process”).

2. The ~~Company~~ Monitor, with the assistance of the Financial Advisor and ~~under the supervision of the Monitor in consultation with the Independent Directors~~, shall conduct the Solicitation Process as outlined in this Amended SISP. In addition, the closing of any sale or investment transaction may involve additional intermediate steps or transactions to facilitate consummation of such sale or investment, including additional Court filings.
3. In the event that there is a disagreement or clarification required as to the interpretation or application of this Amended SISP ~~or the Solicitation Process Order~~, the Amending Order or the responsibilities of the Monitor, the Financial Advisor ~~or NATC~~ or the Independent Directors hereunder or thereunder, the Court will have the jurisdiction to hear such matters and provide advice and directions upon the application of the Monitor or NATC with a hearing on no less than two (2) Business Days’ notice.

#### **“As Is, Where Is”**

4. The sale of the NATC Property or the NATC Business or investment in NATC will be on an “as is, where is” basis and without surviving representations, warranties, covenants or indemnities of any kind, nature or description by NATC, the Monitor, the Financial Advisor, or any of their agents, advisors, professionals or otherwise, except to the extent expressly set forth in any relevant Purchase Agreement or Investment Agreement entered into by NATC.

#### **“Free of any and all Claims and Interests”**

5. In the event of a sale, all of the rights, titles and interests of NATC in and to the NATC Property to be acquired will be sold free and clear of all pledges, liens, security interests, encumbrances, claims, charges, options, royalties and interests thereon and there against (collectively, the “**Claims and Interests**”) pursuant to approval and vesting orders made by the Court. Contemporaneously with such approval and vesting orders being made, all such Claims and Interests, to the extent valid and enforceable, shall attach to the net proceeds of the sale of such property (without prejudice to any claims or causes of action regarding priority, validity or enforceability thereof), except to the extent otherwise set forth in the relevant sale agreement with a Successful Bidder.

#### **Sale of Equipment**

6. Notwithstanding anything in this Amended SISP, NATC will be entitled to sell some or all of the Equipment, in part or in whole, at any point during the Solicitation Process described herein, in order to meet its obligations under the Forbearance Agreement. With respect to parties interested in making a bid solely for the Equipment, there shall be an Equipment Bid Deadline of August 15, 2015.



7. Without limiting the generality of the foregoing, ~~NATC~~the Monitor may, after consultation with the Financial Advisor and the ~~Monitor~~Independent Directors, solicit from any interested entities offers to purchase, or liquidation proposals in respect of, some or all of the Equipment, either before or after the Bid Deadline.

#### **Solicitation of Interest**

8. As soon as reasonably practicable, the ~~Company~~Monitor, in conjunction with its advisors, ~~including the Financial Advisor, and the Monitor, and in consultation with the Independent Directors~~, will finalize a list of potential bidders (the “**Known Potential Bidders**”) for an investment in NATC or the purchase of some or all of the NATC Business or the NATC Property. Such list will include both strategic and financial parties who, in the Financial Advisor’s reasonable business judgment, may be interested in investing in NATC or acquiring the NATC Business or the NATC Property. NATC and the Financial Advisor have prepared a solicitation letter summarizing the opportunity (the “**Teaser**”) and will notify Known Potential Bidders of the existence of the Solicitation Process and invite the Known Potential Bidders to enter into a confidentiality agreement with NATC and to express their interest in making an offer to acquire all or substantially all of the NATC Business, the NATC Property, or one or more of the Parcels. The Financial Advisor and ~~NATC~~the Monitor, in consultation with the Independent Directors, will distribute the Teaser to the Known Potential Bidders and any other party which the Financial Advisor, NATC, the Independent Directors and the Monitor deem appropriate. ~~NATC~~The Monitor, in consultation with the Financial Advisor and the ~~Monitor~~Independent Directors, reserves the right to consider other channels to solicit interest of Known Potential Bidders as deemed appropriate, including direct advertisement in print and electronic media.

#### **Participation Requirements**

9. Unless otherwise ordered by the Court, in order to receive the Bid Package, conduct its due diligence and participate in the Solicitation Process, an interested party must deliver the following to the Financial Advisor:
  - a. An executed confidentiality agreement in form and substance acceptable to ~~NATC, the Monitor and~~ the Financial Advisor ~~and the Monitor~~, which shall inure to the benefit of any purchaser of the NATC Business or NATC Property or any investor in NATC;
  - b. A letter setting forth the identity of the Potential Bidder, the contact information for such Potential Bidder and full disclosure of the direct and indirect owners of the Potential Bidder and their principals; and,
  - c. An executed letter acknowledging receipt of a copy of the Solicitation Process Order and agreeing to accept and be bound by the provisions contained in the Solicitation Process Order and this SISF.
10. For the purposes of paragraph 9, the Monitor and any of the Independent Directors, or either of them, are exclusively authorized to execute any confidentiality agreement contemplated herein or

any other agreement required in connection with the Solicitation Process and this Amended SISP on behalf of NATC. For clarity, no other person may execute a confidentiality agreement or any other agreement required in connection with the Solicitation Process and this Amended SISP on behalf of NATC.

11. ~~10.~~ An interested party will be deemed in each case a “**Potential Bidder**” after they have satisfied all of the requirements described above.

#### **Stalking Horse**

12. ~~11.~~ At the discretion of ~~NATC~~the Monitor and the Financial Advisor, ~~and in consultation with the consent of the Monitor~~Independent Directors, a stalking horse bidder (a “**Stalking Horse Bidder**”) may be approved and permitted to submit a stalking horse purchase agreement (the “**Stalking Horse Purchase Agreement**”) upon such terms as may be agreed upon by ~~NATC~~the Monitor. Any such Stalking Horse Purchase Agreement and Stalking Horse Bidder shall be subject to approval by the Court the terms of which may include break-fees, expense reimbursement or other similar type of payment..

#### **Due Diligence**

13. ~~12.~~ The Financial Advisor will provide to each Potential Bidder a Bid Package, including a confidential information memorandum prepared in ~~conjunction~~consultation with ~~NATC~~the Independent Directors, describing the opportunity to acquire all, or substantially all, of the NATC Business or the NATC Property, the Equipment, one or more of the Parcels, or to invest in NATC.
14. ~~13.~~ Each Potential Bidder shall have such access to materials and information relating to the NATC Property and the NATC Business for the purpose of conducting due diligence as ~~NATC~~the Monitor and the Financial Advisor, in their collective reasonable business judgment, in consultation with the ~~Monitor~~Independent Directors, deem appropriate.
15. ~~14.~~ At the discretion of ~~NATC~~the Monitor, due diligence access may include management presentations (as may be scheduled by ~~NATC~~the Monitor), access to physical and online data-rooms, on-site inspections and such other matters as a Potential Bidder may reasonably request and as to which ~~NATC~~the Monitor, in its reasonable exercise of discretion, in consultation with the Independent Directors, may agree. Neither the Monitor nor NATC shall ~~not~~ be obligated to furnish any due diligence information after the Bid Deadline.
16. ~~15.~~ NATC, the Independent Directors, the Financial Advisor and the Monitor (and their respective officers, directors, employees, members, agents, counsel and professionals) are not responsible for, and will have no liability with respect to, any information obtained by any Known Potential Bidder, Potential Bidder or Qualified Bidder in connection with the NATC Business or the NATC Property. NATC, the Independent Committee, the Financial Advisor and the Monitor (and their respective officers, directors, employees, members, agents, counsel and professionals) do not make any representations or warranties whatsoever as to the information or

the material provided, except in the case of NATC, to the extent expressly provided under a Purchase Agreement or Investment Agreement executed and delivered by a Successful Bidder (or Backup Bidder, if any, as the case may be).

17. ~~16.~~ Prior to the Bid Deadline, ~~NATC,~~ the Financial Advisor and the Monitor may engage in discussions with any or all of the Potential Bidders to determine and explore the level of interest of any such Potential Bidder and may request from any such Potential Bidder such further information as ~~NATC,~~ the Financial Advisor and the Monitor may deem appropriate.
18. All communications and information requests made by Potential Bidders will be made to the Financial Advisor or the Monitor, who may obtain such information from any director, officer or employee of NATC as necessary to respond to any such information requests, and, except upon request by, or with the consent of, the Monitor or the Financial Advisor, no director, officer or employee of NATC shall engage in any communications with any Potential Bidder regarding the Solicitation Process.

#### **Sale Bidding Process**

19. ~~17.~~ In order to qualify as a “**Qualified Bidder**”, a Potential Bidder must deliver a Qualified Bid to the Notice Parties **so as to be received by the Notice Parties no later than 12:00pm (Vancouver time) on September 30, 2015** (the “**Bid Deadline**”).
20. ~~18.~~ A Sale Proposal will be considered a “**Qualified Bid**” only if the Sale Proposal complies with all of the following:
- a. It includes a letter stating that the Sale Proposal is irrevocable until the earlier of (a) the approval by the Court of a Successful Bid; and (b) 30 days following the Bid Deadline; provided however that if such Sale Proposal is selected as the Successful Bid or the Backup Bid, it shall remain irrevocable until the closing of the Successful Bid or the Backup Bid, as the case may be;
  - b. It includes a duly authorized and executed purchase and sale agreement (the “**Purchase Agreement**”) specifying the purchase price (the “**Purchase Price**”) and requiring a closing of the purchase transaction no later than November 30, 2015, together with all exhibits and schedules thereto, and such ancillary agreements as may be required by the Qualified Bidder with all exhibits and schedules thereto (or term sheets that describe the material terms and provisions of such ancillary agreements), as well as copies of such materials marked to show the amendments and modifications to the Purchase Agreement and such ancillary agreements and the proposed orders to approve the sale by the Court;
  - c. It does not include any request or entitlement to any break-fee, expense reimbursement or similar type of payment except in the event that the Qualified Bidder hereunder is the Stalking Horse Bidder;

- d. It includes written evidence of a firm, irrevocable commitment for all required funding and/or financing from a creditworthy bank or financial institution to consummate the proposed transaction, or other evidence satisfactory to NATC, ~~in consultation with the the Financial Advisor and the Monitor, in consultation with the Independent Directors,~~ to allow ~~NATC~~the Monitor and the Financial Advisor to make a reasonable determination as to the Potential Bidder's (and its direct and indirect owners and their principals) financial and other capabilities to consummate the transaction contemplated by the Sale Proposal;
- e. It is not conditioned on (i) the outcome of unperformed due diligence by the Potential Bidder; and/or (ii) obtaining any financing and includes an acknowledgement and representation that the Potential Bidder has had an opportunity to conduct any and all required due diligence prior to making its Sale Proposal;
- f. It fully discloses the identify of each entity that is bidding or otherwise that will be sponsoring or participating in the Sale Proposal, including the identification of the Potential Bidder's direct and indirect owners and their principals, and the complete terms of any such participation;
- g. It includes an acknowledgement and representation that the Potential Bidder will assume the obligations of NATC under any executory contracts and unexpired leases proposed to be assigned and, to the extent applicable, contains full details of the Potential Bidder's proposal for the treatment thereof; and it identifies with particularity any executory contract or unexpired leases the assumption and assignment of which is a condition to closing;
- h. It includes an acknowledgement and representation that the Potential Bidder: (i) has relied solely upon its own independent review, investigation and/or inspection of any documents, information and other due diligence materials, and/or the assets to be acquired and liabilities to be assumed in making its Sale Proposal; (ii) did not rely upon any written or oral statements, representations, promises, warranties or guarantees whatsoever, whether express or implied (by operation of law or otherwise), regarding the assets to be acquired or liabilities to be assumed or the completeness of any information provided in connection therewith, including by NATC, the Financial Advisor or the Monitor (and their respective officers, directors, employees, agents, counsel and professionals), except as expressly stated in the Purchase Agreement submitted by it; (iii) is a sophisticated party capable of making its own assessments in respect of making its Sale Proposal; and (iv) has had the benefit of independent legal, tax, accounting and other relevant professional advice in connection with its Sale Proposal;
- i. It includes evidence, in form and substance reasonably satisfactory to NATC, the Financial Advisor and the Monitor, of authorization and approval from the Potential Bidder's board of directors (or comparable governing body), with respect to the

submission, execution, delivery and closing of the transaction contemplated by the Sale Proposal;

- j. It is accompanied by a refundable deposit (the “**Deposit**”) in the form of a wire transfer (to a trust account specified by the Monitor) or such other form acceptable to the Monitor, payable to the order of Alvarez & Marsal Canada Inc., Monitor, in trust, in an amount equal to ten percent (10%) of the Purchase Price, to be held in accordance with paragraph ~~3335~~ hereof and the terms of the Solicitation Process Order;
- k. If the Potential Bidder is an entity newly formed for the purpose of the transaction, the bid shall contain an equity or debt commitment letter from the parent entity or sponsor, which is satisfactory to ~~NATC~~, the Financial Advisor and the Monitor, that names NATC as third party beneficiary of any such commitment letter with recourse against such parent entity or sponsor;
- l. It includes evidence, in form and substance reasonably satisfactory to ~~NATC~~, the Financial Advisor and the Monitor, of compliance or anticipated compliance with any and all applicable regulatory approvals (including, if applicable, anti-trust regulatory approval) or the anticipated time frame for such compliance and any outstanding conditions or anticipated impediments for obtaining such approvals;
- m. It includes evidence of the Potential Bidder’s ability to comply with section 11.3 of the CCAA (to the extent applicable), which includes providing adequate assurance of the Potential Bidder’s ability to perform the contracts and leases proposed in its Sale Proposal to be assumed by the Potential Bidder, in a form that will permit the immediate dissemination of such evidence to the counterparties to such contracts and leases; and,
- n. It contains any other information reasonably requested by ~~NATC~~the Monitor or the Financial Advisor, in consultation with the ~~Monitor~~Independent Directors.

~~21. 19.~~ An Investment Proposal will be considered a “**Qualified Bid**” only if the Investment Proposal complies with all of the following:

- a. It includes a letter stating that the Investment Proposal is irrevocable until the earlier of (a) the approval by the Court of a Successful Bid; and (b) 30 days following the Bid Deadline; provided however that if such Investment Proposal is selected as the Successful Bid or the Backup Bid, it shall remain irrevocable until the closing of the transactions contemplated by the Investment Proposal;
- b. It includes duly authorized and executed binding definitive documentation (collectively, the “Investment Agreement”) setting out the terms and conditions of the proposed transaction, including the aggregate amount of the proposed equity and debt investment and details regarding the proposed equity and debt structure of NATC following

completion of the proposed transaction, and providing for a closing of the transaction no later than November 30, 2015;

- c. It does not include any request or entitlement to any break-fee, expense reimbursement or similar type of payment in the event that the Qualified Bidder hereunder is the Stalking Horse Bidder;
  - d. It includes written evidence of a firm, irrevocable commitment for all required funding and/or financing from a creditworthy bank or financial institution to consummate the proposed transaction, or other evidence satisfactory to ~~NATC~~the Monitor and the Financial Advisor, in consultation with the ~~Financial Advisor and the Monitor~~Independent Directors, to allow ~~NATC~~the Monitor to make a reasonable determination as to the Potential Bidder's (and its direct and indirect owners and their principals) financial and other capabilities to consummate the transaction contemplated by the Investment Proposal;
  - e. It is not conditioned on (i) the outcome of unperformed due diligence by the Potential Bidder and/or (ii) obtaining any financing capital, and includes an acknowledgement and representation that the Potential Bidder has had an opportunity to conduct any and all required due diligence prior to making its Investment Proposal;
  - f. It is accompanied by a refundable deposit (the "**Deposit**") in the form of a wire transfer (to a trust account specified by the Monitor) or such other form acceptable to the Monitor, payable to the order of Alvarez & Marsal Canada Inc., Monitor, in trust, in an amount equal to ten percent (10%) of the total value of the consideration under the Investment Agreement, to be held in accordance with paragraph ~~33~~35 hereof and the terms of the Solicitation Process Order;
  - g. If the Potential Bidder is an entity newly formed for the purpose of the transaction, the bid shall contain an equity or debt commitment letter from the parent entity or sponsor, which is satisfactory to ~~NATC~~the the Financial Advisor and the Monitor, that names NATC as third party beneficiary of any such commitment letter with recourse against such parent entity or sponsor; and
  - h. It contains any other information reasonably requested by ~~NATC~~the Monitor or the Financial Advisor, in consultation with the ~~Monitor~~Independent Directors.
22. ~~20.~~ Notwithstanding paragraphs ~~17, 18~~19, 20 and ~~19~~21, ~~NATC~~the Monitor, in consultation with the Financial Advisor and the ~~Monitor~~Independent Directors, may waive compliance with any one or more of the Qualified Bid requirements specified above, and deem such non-compliant bids to be Qualified Bids.

### No Qualified Bids

23. ~~21. NATC~~Following the Bid Deadline, the Monitor, in consultation with the Financial Advisor and the ~~Monitor~~Independent Directors, will assess the Qualified Bids received, if any, and will determine whether it is likely that the transactions contemplated by such Qualified Bids are likely to be consummated and whether proceeding with this Amended SISP is in the best interests of NATC and its stakeholders. Such ~~assessments~~determination will be made as promptly as practicable but no later than five (5) Business Days after the Bid Deadline.
24. ~~22. If NATC~~the Monitor, in accordance with paragraph ~~24~~23 above, determines that (a) no Qualified Bid was received, (b) at least one Qualified Bid was received but it is not likely that the transactions contemplated in any such Qualified Bids will be consummated; or (c) proceeding with this SISP is not in the best interests of NATC and its stakeholders, ~~NATC~~the Monitor shall forthwith (i) terminate this Amended SISP; (ii) notify each Potential Bidder (including any Qualified Bidder(s)) that this Amended SISP has been terminated; (iii) consult with its stakeholders and the ~~Monitor~~Independent Directors regarding NATC's next steps; and (iv) report to the Court if deemed appropriate by ~~NATC~~the Independent Directors or the Monitor.
25. ~~23. If NATC~~the Monitor, in accordance with paragraph ~~24~~23 above, determines that (a) one or more Qualified Bids were received, (b) it is likely that the transactions contemplated by one or more of such Qualified Bids will be consummated, and (c) proceeding with this Amended SISP is in the best interests of NATC and its stakeholders, this Amended SISP will not be terminated and ~~NATC~~the Monitor, in consultation with the Financial Advisor and the ~~Monitor~~Independent Directors, will either: (i) proceed to negotiate with one or more of the Qualified Bidders in an attempt to conclude a transaction, or (ii) proceed to an Auction; and the Financial Advisor will promptly notify all Qualified Bidders that they are entitled to participate in the Auction. In considering whether to proceed with an Auction, due regard will be given to whether or not all Qualified Bids are either all Sale Proposals or Investment Proposals.

### Auction

26. ~~24. If~~, in accordance with paragraph ~~23~~25 above, the Auction is to be held, the Monitor will conduct an auction (the "**Auction**") commencing at 9:30 a.m. (Vancouver time) on October 14, 2015, at the offices of Dentons Canada LLP, 20<sup>th</sup> Floor, 250 Howe Street, Vancouver, British Columbia, or such other location as shall be communicated on a timely basis to all entities entitled to attend at the Auction, which Auction may be adjourned by the Monitor, after consultation with ~~NATC~~the Independent Directors and the Financial Advisor. The Auction shall be run in accordance with the following procedures, which may be modified by the Monitor in its discretion, after consultation with ~~NATC~~the Independent Directors and the Financial Advisor:
- a. At least three (3) Business Days prior to the Auction, each Qualified Bidder must inform ~~NATC~~the Monitor and the Financial Advisor in writing whether it intends to participate in the Auction (the parties who so inform NATC and the Financial Advisor, the "**Auction Bidders**");

- b. At least two (2) Business Days prior to the Auction, the Financial Advisor will provide copies of the Qualified Bid(s) which ~~NATC~~the Monitor (after consultation with the Financial Advisor and the ~~Monitor~~Independent Directors), believes (individually or in the aggregate) to be the highest or otherwise best Qualified Bid(s) (the “**Starting Bid**”) to all Auction Bidders;
- c. Only representatives of the Auction Bidders, ~~NATC~~the Independent Directors, the Financial Advisor and the Monitor, and such other persons permitted by ~~NATC~~the Independent Directors and the Monitor (and the advisors to each of the forgoing) are entitled to attend the Auction;
- d. At the commencement of the Auction, each Auction Bidder shall be required to confirm that it has not engaged in any collusion with any other Auction Bidder with respect to the bidding or any sale or investment;
- e. Only the Auction Bidders will be entitled to make any bids at the Auction (each a “**Subsequent Bid**”), provided however that in the event that any Qualified Bidder elects not to attend and/or participate in the Auction and such Qualified Bidder’s Qualified Bid is the Starting Bid, it shall nevertheless remain fully enforceable against such Qualified Bidder if it is selected as the Successful Bid or the Backup Bid at the conclusion of the Auction;
- f. All Subsequent Bids presented during the Auction shall be made and received in one room on an open basis. All Auction Bidders will be entitled to be present for all Subsequent Bids at the Auction with the understanding that the true identity of each Auction Bidder at the Auction will be fully disclosed to all other Auction Bidders at the Auction and that all material terms of each Subsequent Bid will be fully disclosed to all other Auction Bidders throughout the entire Auction;
- g. All Auction Bidders must have at least one individual representative with authority to bind such Auction Bidder present in person at the Auction;
- h. The Monitor, after consultation with ~~NATC~~the Independent Directors and the Financial Advisor, may employ and announce at the Auction additional procedural rules that are reasonable under the circumstances, (e.g. the amount of time allotted to make Subsequent Bids, requirement to bid in each round, and the ability of multiple Auction Bidders to combine to present a single bid) for conducting the Auction, provided that such rules are (i) not inconsistent with any applicable law, and (ii) disclosed to each Auction Bidder at the Auction;
- i. Bidding at the Auction will begin with the Starting Bid and continue, in one or more rounds of bidding, so long as during each round at least one Subsequent Bid is submitted by an Auction Bidder that ~~NATC~~the Monitor determines, after consultation with the Financial Advisor and the ~~Monitor~~Independent Directors, is (A) for the first round, a



higher or otherwise better offer than the Starting Bid, and (B) for subsequent rounds, a higher or otherwise better offer than the Leading Bid; in each case by net value to NATC of at least \$250,000 over the Starting Bid or the Leading Bid, as the case may be (the “**Minimal Incremental Overbid**”); provided however that the Monitor, after consultation with ~~NATC~~the Independent Directors and the Financial Advisor, shall retain the right to modify the incremental requirements at the Auction and provided further that the Monitor, in determining the net value of an incremental bid, shall not be limited to evaluating the incremental dollar value of such bid and may consider any other factors as set out in paragraph 26~~28~~. After each Subsequent Bid, the Monitor shall, after consultation with ~~NATC~~the Independent Directors and the Financial Advisor, announce whether such bid (including the value and material terms thereof) is higher or otherwise better than the prior bid (the “**Leading Bid**”). A round of bidding will conclude after each Auction Bidder has the opportunity to submit a Subsequent Bid with full knowledge of the Leading Bid;

- j. The Monitor reserves the right, in its reasonable business judgment after consultation with ~~NATC~~the Independent Directors and the Financial Advisor, to make one or more adjournments in the Auction of no more than 24 hours each to, among other things (i) facilitate discussions between ~~NATC~~the Independent Directors and any or more of the Auction Bidders; (ii) allow the individual Auction Bidders to determine how they wish to proceed; (iii) consider and determine the Leading Bid at any given time in the Auction; and (iv) give Auction Bidders the opportunity to provide ~~NATC~~the Independent Directors with such additional evidence as ~~NATC~~the Independent Directors, in its reasonable business judgment, may require to establish that the Auction Bidder has sufficient internal resources, or has received such non-contingent debt and/or equity funding commitments to consummate the transaction proposed in that Auction Bidder’s most recent Subsequent Bid;
- k. If, in any round of bidding, no new Subsequent Bid is made that becomes a Leading Bid, the Auction shall be closed;
- l. The Auction shall be closed within five (5) Business Days of the start of the Auction unless extended by the Monitor with the consent of ~~NATC~~the Independent Directors; and,
- m. No bids (from Qualified Bidders or otherwise) shall be considered after the conclusion of the Auction.

#### **Selection Criteria**

- 27. ~~25.~~ In selecting any Starting Bid or Leading Bid, the Successful Bid and any Backup Bid, ~~NATC~~the Monitor, in consultation with the Financial Advisor and the ~~Monitor~~Independent Directors, will review each Qualified Bid. In determining the highest and best offer among Qualified Bids, a single Qualified Bid for all or substantially all of the NATC Property and/or

NATC Business generally will be viewed as preferable to a combination of Qualified Bids consisting of multiple Parcels.

28. ~~26.~~ Evaluation criteria with respect to any Qualified Bid may include, but are not limited to, items such as (a) the purchase price and the net value, including assumed liabilities or other obligations to be performed or assumed by the bidder, provided by such bid; (b) the claims likely to be created by such bid in relation to the other bids; (c) the counterparties to the transaction; (d) the proposed revisions to the Purchase Agreement or Investment Agreement and the terms of the transaction documents; (e) other factors affecting the speed, certainty and value of the transaction, including conditions and any regulatory approvals required to close the transaction; (f) the assets included or excluded from the bid and the transaction costs and risks associated with closing multiple transactions versus a single transaction for all or substantially all of the NATC Property and/or the NATC Business; (g) the estimated number of employees of NATC that will be offered post-closing employment by the bidder and any proposed measures associated with their continued employment; (h) the transition services required from NATC post-closing and any related restructuring costs; (i) any proposed relationships or engagement with First Nations communities and (j) the likelihood and timing of consummating the transaction.
29. ~~27.~~ Upon the conclusion of the bidding, the Auction (if any) shall be closed and the Monitor, after consultation with ~~NATC~~ the Independent Directors and the Financial Advisor, will identify the highest or otherwise best Qualified Bid received (such offer, the “**Successful Bid**”) and the next highest or otherwise best Qualified Bid received (such offer, the “**Backup Bid**”), if any. The Qualified Bidder(s) who made the Successful Bid is the “**Successful Bidder**” and the Qualified Bidder(s) who made the Backup Bid is the “**Backup Bidder**”. Within five (5) Business Days of the later of the Bid Deadline or the conclusion of the Auction (if any), the Monitor will notify the Qualified Bidders of the identities of the Successful Bidder and the Backup Bidder (if any).
30. ~~28.~~ NATC shall finalize a definitive agreement in respect of the Successful Bid and the Backup Bid, if any, conditional upon the approval of the Court.
31. ~~29.~~ The Backup Bid shall remain open until the later of the consummation of the transaction contemplated by the Successful Bid or the consummation of the transactions contemplated by the Backup Bid, if applicable (the “**Backup Bid Expiration Date**”).
32. ~~30.~~ All Qualified Bids (other than the Successful Bid and the Backup Bid) shall be deemed rejected by NATC on and as of the later of the date of approval of the Successful Bid and the Backup Bid by the Court.

#### **Approval Hearing**

33. ~~31.~~ Within five (5) Business Days of the date of the definitive agreement(s) with the Successful Bidder and the Backup Bidder (if any), NATC shall seek a hearing to be held on a date, no later than October 31, 2015, to be scheduled by NATC (the “**Approval Hearing**”) to authorize NATC to enter into an agreement with the Qualified Bidder or in respect to the Successful Bid, and in the event that the Successful Bid does not close for any reason, to enter into an agreement with

respect to any Backup Bid (the “**Approval Order**”). The Approval Hearing may be adjourned or rescheduled by NATC in consultation with the Monitor, without further notice, by notice to the service list maintained by NATC and the Monitor in the CCAA proceedings.

34. ~~32.~~ If, following the approval of the Successful Bid by the Court, the Successful Bidder fails to consummate the transaction for any reason, then the Backup Bid, if any, will be deemed to be the Successful Bid hereunder and NATC shall effect a transaction with the Backup Bidder subject to the terms of the Backup Bid, without further order of the Court.

### **Deposits**

35. ~~33.~~ All Deposits shall be retained by the Monitor and invested in an interest bearing trust account in a Schedule I Bank in Canada. Upon closing of the transaction with the Successful Bidder, the Deposit (plus accrued interest) paid by the Successful Bidder shall be released by the Monitor to NATC (and/or to other third parties as otherwise directed by Court Order) and applied to the purchase price to be paid by the Successful Bidder. The Deposit (plus accrued interest) paid by the Backup Bidder (if any) shall be retained by the Monitor until the Backup Bid Expiration Date (at which time it (plus applicable interest) shall be returned to the Backup Bidder), or, if the Backup Bid becomes the Successful Bid, shall be released by the Monitor to NATC and applied to the purchase price or investment amount under the Purchase Agreement or Investment Agreement upon closing of the Backup Bid. The Deposits (plus applicable interest) of all Qualified Bidders not selected as the Successful Bidder or Backup Bidder shall be returned to such bidders within five (5) Business Days of the date upon which the Qualified Bidder, the Successful Bid and the Backup Bid are approved by the Court. If the this SISIP is terminated in accordance with the terms in this document, all Deposits shall be returned to the bidders within five (5) Business Days of the date upon which it is determined that this SISIP is terminated.

36. ~~34.~~ If the Successful Bidder and/or Backup Bidder as applicable breaches its obligations to close, it shall forfeit its Deposit to NATC, provided however that the forfeit of such Deposit shall be in addition to, and not in lieu of, any other rights in law or equity that NATC has against such breaching entity.

### **Approvals**

37. ~~35.~~ For greater certainty, the approvals required pursuant to the terms of this Amended SISIP are in addition to and not in substitution for any other approvals required by the CCAA or any other statute or are otherwise required at law in order to implement a definitive agreement with a Successful Bidder or a Backup Bidder, as the case may be.

### **Notice Parties**

38. ~~36.~~ As used herein, the “**Notice Parties**” are, collectively, ~~NATC~~ the Independent Directors, the Financial Advisor and the Monitor. The addresses to be used for delivering documents to the Notice Parties are as follows:

**To ~~NATC~~:the Independent Directors:**

North American Tungsten Corporation Ltd.  
c/o Dentons Canada LLP  
20<sup>th</sup> Floor, 250 Howe Street  
Vancouver, BC V6C 3R8

Attn: John R. Sandrelli  
Email: [john.sandrelli@dentons.com](mailto:john.sandrelli@dentons.com)  
AND  
Attn: Michael Axford  
Email: [michael.axford@dentons.com](mailto:michael.axford@dentons.com)

**To the Monitor:**

Alvarez & Marsal Canada Inc.  
400 Burrard Street  
Suite 1680, Commerce Place  
Vancouver, BC V6C 3A6

Attn: Todd Martin  
Email: [tmartin@alvarezandmarsal.com](mailto:tmartin@alvarezandmarsal.com)  
AND  
Attn: Tom Powell  
Email: [tpowell@alvarezandmarsal.com](mailto:tpowell@alvarezandmarsal.com)

**with copy to:**

Fasken Martineau DuMoulin LLP  
2900-550 Burrard Street  
Vancouver, BC V6C 0A3

Attn: Kibben Jackson  
Email: [kjackson@fasken.com](mailto:kjackson@fasken.com)  
AND  
Attn: Vicki Tickle  
E-mail: [vtickle@fasken.com](mailto:vtickle@fasken.com)

**To the Financial Advisor:**

Alvarez & Marsal Securities Canada ULC  
400 Burrard Street  
Suite 1680, Commerce Place  
Vancouver, BC V6C 3A6

Attn: Callum Beveridge  
Email: [cbeveridge@alvarezandmarsal.com](mailto:cbeveridge@alvarezandmarsal.com)

39. ~~37~~-A bid shall be delivered to all Notice Parties at the same time by electronic mail, personal delivery or courier.
40. ~~38~~-Interested bidders requesting information about the qualification process, including the form of Purchase Agreement, and information in connection with their due diligence should contact the Financial Advisor.

**Reservation of Rights**

~~41. 39. NATC~~ The Monitor, after consultation with the Financial Advisor and the ~~Monitor~~ Independent Directors:

- a. May reject, at any time any bid that is (i) inadequate or insufficient; (ii) not in conformity with the requirements of the CCAA, this Amended SISP or any orders of the Court applicable to NATC; and/or (iii) contrary to the interests of NATC, its estate or stakeholders, as determined by ~~NATC~~ the Independent Directors, the Financial Advisor and the Monitor;
- b. In accordance with the terms hereof, may impose additional terms and conditions and otherwise seek to modify this Amended SISP at any time in order to maximize the results obtained;
- c. In accordance with the terms hereof, may accept bids not in conformity with this Amended SISP to the extent that ~~NATC, the Monitor, in consultation with~~ the Financial Advisor and the ~~Monitor~~ determine Independent Directors, in their reasonable business judgment, determines that doing so will benefit NATC, its estate and its stakeholders; and,
- d. ~~With the prior consent of the Monitor~~, extend the deadlines contained in this SISP, provided that the Bid Deadline shall not be extended beyond September 30, 2015 and a potential Auction shall not be extended beyond October 16, 2015, without the prior written consent of Callidus.

~~42. 40.~~ At or before the Approval Hearing, ~~NATC~~ the Monitor may impose such other terms and conditions in the negotiation of a Purchase Agreement or Investment Agreement, as applicable, as ~~NATC~~ it may, in consultation with the ~~Monitor~~ Independent Directors, determine to be in the best interest of ~~their~~ NATC's estates and stakeholders, provided that such terms and conditions are not inconsistent with this Amended SISP.

~~43. 41.~~ This Amended SISP does not, and shall not be interpreted to, create any contractual or other legal relationship between NATC and any other party, other than as specifically set forth in definitive agreements that may be executed by NATC.

#### **No Amendment**

~~44. 42.~~ Except as provided herein, there shall be no amendments to this Amended SISP, including for greater certainty the process and procedures set out in this document, without the prior written consent of the Monitor unless otherwise ordered by the Court upon application and appropriate notice.

#### **Further Orders**

45. ~~43.~~ At any time during this Amended SISP, NATC may, following consultation with the Monitor, the Financial Advisor, the Independent Directors and NATC may apply to the Court for advice and directions with respect to the discharge of ~~its~~their powers and duties hereunder.

## **SCHEDULE “A”**

### Equipment List

## APPENDIX B



North American Tungsten Corporation Ltd.  
Cash Flow Statement  
For the 21 Week Period Ending October 30, 2015  
(\$000's)

		Week 1 to Week 13	Week 14	Week 15	Week 16	Week 17	Week 18	Week 19	Week 20	Week 21	Week 1 to Week 21 Total
	Notes	Actual 4-Sep-15	Forecast 11-Sep-15	Forecast 18-Sep-15	Forecast 25-Sep-15	Forecast 2-Oct-15	Forecast 9-Oct-15	Forecast 16-Oct-15	Forecast 23-Oct-15	Forecast 30-Oct-15	
<b>Cash flow from operations</b>											
Collection of accounts receivable	2	\$ 9,479	\$ 915	\$ 462	\$ 1,097	\$ 1,237	\$ 462	\$ 1,320	\$ 1,031	\$ 814	\$ 16,817
Other receipts	3	250	13	40	-	-	-	-	40	-	343
Employee costs - mine site	4	(4,338)	(1,067)	(225)	(527)	(439)	(462)	(233)	(271)	(178)	(7,738)
Mining raw materials	5	(178)	(15)	(39)	(34)	(13)	(7)	-	(6)	(6)	(298)
Mill raw materials	6	(552)	(93)	(90)	(85)	(85)	(51)	(18)	(9)	(7)	(990)
Fuel	7	(1,995)	(156)	(160)	(160)	(160)	(160)	(80)	(24)	(24)	(2,918)
Equipment parts and supplies	8	(189)	(62)	(16)	(16)	(16)	(16)	(16)	(8)	(2)	(339)
Freight and expediting	9	(755)	(110)	(70)	(70)	(70)	(70)	(70)	(35)	(18)	(1,267)
Catering and janitorial	10	(539)	(90)	-	(81)	-	(81)	-	(20)	-	(811)
Tailings management and dredging	11	-	-	-	-	-	-	-	-	-	-
Other operating costs	12	(964)	(168)	(118)	(118)	(108)	(108)	(81)	(61)	(30)	(1,757)
Contingency		-	(25)	(50)	(50)	(50)	(50)	(50)	(50)	(50)	(375)
Net cash flow from operations		218	(858)	(264)	(43)	296	(542)	772	588	501	666
<b>Head office disbursements</b>											
Employee costs - head office	4	(318)	(29)	-	(39)	(37)	(35)	(7)	(30)	(6)	(501)
Operating leases and insurance	13	(231)	-	-	-	(67)	-	-	-	-	(298)
Head office and corporate costs	14	(124)	(107)	(10)	(10)	(10)	(10)	(10)	(5)	(5)	(291)
Total head office disbursements		(673)	(136)	(10)	(49)	(114)	(45)	(17)	(35)	(11)	(1,090)
<b>Non-operating cash flow</b>											
Proceeds of equipment sales	15	-	-	-	-	-	-	-	-	-	-
Reclamation costs	16	(34)	-	-	-	-	-	-	-	-	(34)
Development costs - Mactung	17	(18)	-	-	-	-	-	-	-	-	(18)
Restructuring professional fees	18	(1,163)	(136)	(73)	(81)	(81)	(73)	(56)	(61)	(61)	(1,783)
Total non-operating cash flow		(1,216)	(136)	(73)	(81)	(81)	(73)	(56)	(61)	(61)	(1,836)
<b>Net cash flow before interim financing</b>		(1,671)	(1,130)	(347)	(173)	102	(660)	699	492	429	(2,259)
<b>Net cash flow from interim financing</b>											
Proceeds of interim financing	19	3,000	-	-	-	-	-	-	-	-	3,000
Accounts receivable financing	20	-	1,269	857	(66)	(67)	568	(289)	-	(568)	1,705
Interim financing fees and interest	21	(140)	-	-	-	(41)	-	-	-	(41)	(221)
Accounts receivable financing fees and interest	22	-	(43)	(4)	(3)	(2)	(2)	(2)	(2)	(2)	(58)
Principal and interest on existing Callidus loans	23	(1,288)	-	-	-	(377)	-	-	-	(381)	(2,046)
Net cash flow from interim financing		1,572	1,226	853	(69)	(486)	566	(291)	(2)	(992)	2,379
<b>Net Cash Flow</b>		(99)	96	506	(241)	(384)	(93)	408	490	(563)	119
Opening Cash Position		626	527	623	1,128	887	503	410	818	1,308	626
<b>Closing Cash Position</b>		\$ 527	\$ 623	\$ 1,128	\$ 887	\$ 503	\$ 410	\$ 818	\$ 1,308	\$ 745	\$ 745

Notes:

- The Cash Flow Statement has been prepared by management of North American Tungsten Corporation Ltd. (the "Company") to set out the Company's liquidity requirements during the 21-week period from June 9, 2015 to October 30, 2015.
- Collections of accounts receivable are estimated based on expected mine production and sales under supply agreements with the Company's two major customers.
- Other receipts relate to post-filing GST and fuel tax refunds.
- Employee costs are based on current run rates as well as funding of a trust fund to be maintained by the Monitor in respect of the key employee retention plan.
- Mining raw material costs reflect reduced production levels.
- Mill raw material costs are forecast based on expected production levels.
- Fuel costs primarily relate to diesel required by generators to power the mine site.
- Equipment parts and supplies costs are forecast based on current run rates.
- Freight and expediting costs are forecast based on expected production and shipment levels.
- Catering and janitorial costs reflect current run rates adjusted for expected staffing levels.
- Tailings management and dredging includes dredging of an existing tailings pond to provide tailings capacity for continued operations.
- Other operating costs are projected based on production levels and environmental costs incurred to maintain the water license.
- Operating leases and insurance have been forecast based on current run rates.
- Head office costs include corporate and administrative costs.
- Proceeds of equipment sales in accordance with the SISP are projected to be zero over the forecast period.
- The Company is not planning to undertake reclamation activities at Cantung during the forecast period.
- The Company is not planning to undertake development activities at Mactung during the forecast period.
- Restructuring professional fees include the estimated costs of the Company's legal counsel, the Monitor and the Monitor's legal counsel.
- Proceeds from Interim Financing Facility provided by Callidus.
- Net advances and repayments under the revolving AR Financing Facility provided by Callidus relating to sales to Global Powders & Tungsten.
- Interim financing fees and interest relate to the Interim Financing Facility with Callidus of \$2.5 million as well as an initial gap advance of \$500,000.
- Accounts receivable financing interest and fees relate to the AR Financing Facility with Callidus.
- Repayments of principal and interest on the senior secured loans owed to Callidus.

## APPENDIX C


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## Company

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## North American Tungsten Corporation Ltd.

### Sale and Investment Solicitation Process

#### Notice to all interested parties:

North American Tungsten Corporation Limited (the "**Company**" or "**NATC**") and Alvarez & Marsal Canada Inc. (the "**Monitor**") have recently been notified by three directors that they have a potential conflict of interest as an entity that they are affiliated with, Queenwood Capital Partners LLC ("**Queenwood**"), may be participating in the sale and investment solicitation process (the "**SISP**"). The directors who have identified their potential conflict are Ron Erickson, Kurt Heikkila (also CEO of NATC) and Dennis Lindahl (also CFO of NATC) (collectively, the "**Interested Directors**").

As a result of this development, the Company and the Monitor have taken and will take certain further steps to ensure that the SISP continues to be run fairly and that Queenwood, the Interested Directors and anyone affiliated with them do not have any advantage in the SISP. Such steps include the following:

- The board of directors will pass a resolution forming a special committee of the independent directors. That special committee is charged with assisting and advising the Monitor in relation to the SISP, including the review and approval of any offers received (to the exclusion of the Interested Directors and management).
- The Company will be bringing an application in the near future to amend the SISP so that, going forward, it will be run by the Monitor (with input as appropriate from the special committee).
- Going forward, all information requests by potential bidders will be made to Alvarez & Marsal Canada Securities ULC (the Company's financial advisor) or the Monitor, and they will obtain the information from the appropriate person at the Company, including from any of the Interested Directors as necessary.
- Queenwood will sign an NDA as a condition of participating in the SISP, whether alone or in conjunction with any other potential bidder.
- All potential bidders will be made aware of Queenwood and the Interested Directors' interests.
- Appropriate employees of NATC will be made aware of the Interested Directors' interests and advised not to speak with any of them about any aspect of the SISP.

For clarity, none of the Interested Directors will receive copies or particulars of any of the other bids. Potential bidders are advised to take care not to divulge any particulars of their bids to any of the Interested Directors, particularly with respect to potential pricing or deal structure.

If you have any questions regarding the foregoing, please do not hesitate to contact the Monitor at **604.638.7440**.

#### Documents

[SISP Order \(July 17, 2015\)](#)[Business Opportunity Overview \(July 17, 2015\)](#)
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