



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.**

**NINTH REPORT OF THE MONITOR**

**ALVAREZ & MARSAL CANADA INC.**

**OCTOBER 13, 2015**



**ALVAREZ & MARSAL**

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## **APPENDICES**

**Appendix A – Sixth Cash Flow Statement for the 29 Week Period Ending December 25, 2015**

## 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 (the “**Stay of Proceedings**”) against or in respect of the Company and its assets until July 9, 2015 (the “**Stay Period**”) 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 July 31, 2015, Mr. Justice Butler made an order (the “**Set Off Order**”):
  - a) declaring that Global Tungsten & Powders Corp (“**GTP**”), one of two major customers of NATC, has a valid right of set off with respect to amounts due to the Company for post-filing shipments of tungsten concentrate and amounts advanced to the Company under a pre-filing loan agreement; and
  - b) staying GTP from exercising its right of set off during the Stay Period.
- 1.7 GTP sought leave to appeal the Setoff Order to the British Columbia Court of Appeal (the “**BCCA**”) and for a stay of the Setoff Order. On August 12, 2015, the BCCA denied GTP’s

applications for leave to appeal and for a stay. GTP subsequently applied to a panel of the BCCA to vary that order, which application was denied on September 30, 2015.

- 1.8 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 GTP, secured by a super priority charge over all the assets of NATC in the amount of \$2.5 million.
- 1.9 On September 14, 2015, the Court granted an order varying the SISP Order and approving an amended sale and investment solicitation process (the “**Amended SISP**”) pursuant to which the Monitor assumed conduct of the Solicitation Process (as that term is defined in the SISP Order).
- 1.10 On October 9, 2015, the Company filed a Notice of Application returnable on October 14, 2015 seeking an order (the “**Extension Order**”) extending the Stay of Proceedings to November 30, 2015.

## **2.0 PURPOSE OF REPORT**

- 2.1 The purpose of this Ninth Report of the Monitor (the “**Ninth Report**”) is to provide the Court and the Company’s stakeholders with:
  - a) an update on the Amended SISP;
  - b) the updated cash flow statement (the “**Sixth Cash Flow Statement**”) prepared by the Company and covering the period of the proposed extension as well as the key assumptions on which the Sixth Cash Flow Statement is based, as well as the Monitor’s comments thereon; and
  - c) the Monitor’s comments and recommendations with respect to the Company’s application for the Extension Order.

## **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 Ninth Report are expressed in Canadian dollars.

#### **4.0 UPDATE ON THE AMENDED SISP**

- 4.1 In accordance with the provisions of the Amended SISP, Qualified Bids were received by the Financial Advisor and the Monitor on or before the bid deadline of September 30, 2015.
- 4.2 Two of the Company's senior secured lenders, Callidus and the Government of the Northwest Territories ("GNWT"), have executed confidentiality agreements and were subsequently provided with copies of the Qualified Bids.
- 4.3 The Financial Advisor and the Monitor are assessing the Qualified Bids in consultation with Callidus and GNWT in order to determine which, if any, of the Qualified Bids will be selected as the successful bid.
- 4.4 The Financial Advisor and the Monitor, in consultation with Callidus, are also assessing separate offers regarding only the equipment at the Cantung mine.

#### **5.0 SIXTH CASH FLOW STATEMENT**

- 5.1 Management has prepared the Sixth Cash Flow Statement for the 29 week period ending December 25, 2015, a copy of which is attached as Appendix "A".
- 5.2 The Sixth Cash Flow Statement is based on the assumption that the Company carries out its current operating plan for the Cantung mine which provides for continued production until October 27, 2015 and commence an orderly transition to care and maintenance during the two week period from October 31, 2015 to November 13, 2015.
- 5.3 A summary of the Sixth Cash Flow Statement, limited to the period of the proposed extension, is set out in the table below:

**North American Tungsten Corporation Ltd.**  
**Sixth Cash Flow Statement Summary**  
**For the period June 9, 2015 to November 27, 2015**  
**(\$000's)**

	<b>June 9, 2015 to October 2, 2015 Actual</b>	<b>October 3, 2015 to November 27, 2015 Forecast</b>	<b>Total</b>
<b>Cash Flow from Operations</b>			
Collection of accounts receivable	\$ 12,629	\$ 6,685	\$ 19,314
Other receipts	332	40	372
Employee costs - mine site	(6,108)	(2,149)	(8,257)
Operating disbursements	(6,751)	(2,310)	(9,060)
Net cash flow from operations	102	2,266	2,368
Employee costs - head office	(406)	(185)	(590)
Head office disbursements	(525)	(162)	(687)
Reclamation costs	(55)	-	(55)
Development costs - Mactung	(29)	(2)	(31)
Restructuring professional fees	(1,131)	(1,340)	(2,471)
	(2,146)	(1,689)	(3,835)
<b>Net Cash Flow Before Financing</b>	(2,044)	577	(1,467)
<b>Net Cash Flow From Financing</b>			
Proceeds from interim financing	3,000	-	3,000
Proceeds from AR Financing Facility	-	162	162
Interim financing fees and interest	(140)	(92)	(233)
AR Financing Facility fees and interest	-	(29)	(29)
Principal and interest on existing Callidus loans	(1,288)	(749)	(2,037)
Net cash flow from financing	1,572	(708)	863
<b>Net Cash Flow</b>	(472)	(131)	(603)
<b>Cash Position</b>			
Opening Cash Position	626	154	626
<b>Closing Cash Position</b>	\$ 154	\$ 23	\$ 23

5.4 In summary, and as indicated in the Sixth Cash Flow Statement, during the eight week period from October 2, 2015 to November 27, 2015 (the “**Extension Period**”):

- a) The collection of accounts receivable of \$6.7 million is based on the expected shipment of approximately 28,000 MTUs of tungsten concentrate. The Sixth 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. The

Company's latest shipment to GTP was dispatched on September 29, 2015. Conditional upon the Extension Order being granted, the Company intends to begin making additional shipments of tungsten concentrate to GTP on or after October 14, 2015.

- b) Employee costs for the Cantung mine site and head office of approximately \$2.3 million include payroll, benefits and payroll withholdings remittances as well as payments into the trust fund to be maintained by the Monitor in respect of the key employee retention plan ("**KERP**"). The status of the KERP is described further in section 7.0 of this Report. Payroll withholdings remittances are forecast to remain current during the Extension Period.
- c) Operating disbursements of \$2.3 million include mill maintenance, fuel, equipment parts and supplies, freight and expediting costs, environmental management, safety programs and site administration.
- d) Head office disbursements of \$162,000 include corporate and administrative costs.
- e) Restructuring professional fees are forecast to be \$1.3 million during the Extension 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 Amended SISP. On June 9, 2015, this Honourable Court granted a first ranking priority charge (the "**Administration Charge**") as security for payment of the fees and disbursements of the Monitor, the Monitor's legal counsel and the Company's legal counsel, to a maximum amount of \$500,000. The Company has reported that, as at October 9, 2015, the total owing to professionals was approximately \$595,000 not including anticipated fees not yet billed. The Company is forecasting to be current on all professional fees and disbursements by November 6, 2015.
- f) Net proceeds from the AR Financing Facility for the period June 9, 2015 to October 2, 2015 were nil as all amounts owed under the AR Financing Facility were repaid by the Company in full on October 2, 2015. Callidus re-advanced approximately \$1.15 million on October 5, 2015. The balance due under the AR Financing Facility at the end of the Extension Period is forecast to be \$162,000, which the Company expects to retire by December 4, 2015 using proceeds of accounts receivable from GTP.
- g) Principal and interest on existing Callidus loans of approximately \$749,000 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.

5.5 The Sixth Cash Flow Statement indicates that the Company will have sufficient liquidity to operate until the end of the Extension Period.

- 5.6 It should, however, be noted that the Company expects to incur a cash shortfall by the week ending December 4, 2015. Accordingly, absent the availability of additional financing, the Company will be unable to continue to meet obligations to employees and trade creditors incurred during the week ending December 4, 2015. The Monitor understands that the Company is in discussions with Callidus and GNWT regarding possible alternatives for funding the ongoing care and maintenance costs of the Cantung mine and the continuation of the CCAA Proceedings beyond the end of November 2015.

## **6.0 EXTENSION OF THE STAY OF PROCEEDINGS**

- 6.1 The Stay of Proceedings against the Company is currently set to expire on October 31, 2015. The Company has filed a notice of application for the Extension Order which provides for an extension of the Stay of Proceedings until November 30, 2015.
- 6.2 The Monitor supports the Company's application for the Extension Order for the following reasons:
- a) the Company requires time to effect an orderly transition from production to care and maintenance at the Cantung mine and advance discussions with Callidus and GNWT regarding the funding of ongoing care and maintenance costs;
  - b) the Monitor and NATC, in consultation with Callidus and GNWT, require time to assess the Qualified Bids resulting from the SISP;
  - c) the expectation that Callidus will make further advances under the AR Financing Facility if the Stay of Proceedings (and therefore the stay of GTP's right of setoff) is extended;
  - d) the Sixth Cash Flow Statement indicates that Company will have sufficient liquidity during the period ending November 30, 2015;
  - e) the Monitor does not believe there will be material financial prejudice to any of NATC's creditors, employees, customers or suppliers as a result of an extension of the stay period; and
  - f) Management appears to be acting in good faith and with due diligence and the Company's prospects of affecting a viable restructuring would be enhanced by an extension of the Stay Period.

## **7.0 OTHER MATTERS**

### **KERP**

- 7.1 On August 10, 2015, this Honourable Court granted an order approving the KERP to incentivize certain eligible non-executive management employees ("**Eligible Employees**") of NATC to continue their employment with the Company during the pendency of the CCAA Proceedings.



- 7.2 The first installment under the KERP of \$145,000 was distributed to Eligible Employees on October 7, 2015.
- 7.3 The second and final installment (the “**Second Installment**”) under the KERP of \$145,000 is to be distributed to Eligible Employees on the earlier of the December 31, 2015 and the date on which a successful transaction is implemented and the CCAA Proceedings are terminated.
- 7.4 The Company is forecasting to make a payment of \$145,000 to the Monitor’s trust account during the week ending October 16, 2015 to fund the Second Installment.

**8.0 MONITOR’S RECOMMENDATION**

- 8.1 The Monitor is of the view that the Company continues to act in good faith and with due diligence and the Extension Order will enable the Company to pursue a successful transaction with one or more of the Qualified Bidders as part of its overall restructuring plan. Accordingly, the Monitor respectfully recommends that this Honourable Court grant the Extension Order.

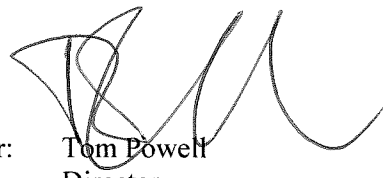
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All of which is respectfully submitted to this Honourable Court this 13<sup>th</sup> day of October, 2015.

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



Per: Todd Martin  
Senior Vice President



Per: Tom Powell  
Director

## APPENDIX A

Schedule H

		Actuals										Production Ends		Transitioning to Care and Maintenance	
		17		18		19		20		21		22		23	
		02-Oct-15		09-Oct-15		16-Oct-15		23-Oct-15		30-Oct-15		06-Nov-15		13-Nov-15	
Receipts		Collection of accounts receivable	\$ 1,283,259	\$ 1,294,700	\$ 1,274,742	\$ 1,307,923	\$ 802,565	\$ 493,480	\$ -						
	Callidus A/R Financing	(1,170,000)	603,501	(11,009)	285,490	282,018	40,000	-	-						
	Other receipts	22,527	-	-	-	-	-	-	-						
	<b>Total Receipts</b>	<b>135,785</b>	<b>1,898,201</b>	<b>1,263,733</b>	<b>1,593,412</b>	<b>1,134,583</b>	<b>493,480</b>	<b>-</b>	<b>-</b>						
Disbursements	Employee costs - mine site	(76,747)	(624,533)	(284,364)	(377,500)	(283,000)	(158,550)	(149,000)	-						
	Key employee retention costs	-	-	(145,000)	-	-	-	-	-						
	Equipment parts / supplies	(54,196)	(14,803)	(10,000)	(20,000)	(35,000)	(2,000)	(2,000)	-						
	Mining direct materials (including pit program)	-	(96)	-	(5,000)	(10,000)	-	-	-						
	Mill direct materials	(64,390)	(55,834)	(30,000)	(15,000)	(15,000)	(13,751)	(13,751)	-						
	Other operating costs	(76,942)	(118,226)	(72,720)	(65,000)	(151,613)	(38,262)	(20,262)	-						
	Diesel	(23,117)	(339,770)	(156,000)	(156,000)	(78,000)	(40,000)	-	-						
	Operating leases and insurance	(3,329)	(3,329)	-	-	(67,537)	-	-	-						
	Freight and Expediting	(37,051)	(80,113)	(85,418)	(86,054)	(86,054)	(41,054)	(10,000)	-						
	Mine site catering and janitorial	-	-	-	-	(80,000)	-	-	-						
	Tailings management and dredging	-	(20,590)	-	-	-	-	-	-						
	Tailings pond 4 - Reclamation study	-	-	-	-	-	-	-	-						
	Mill maintenance / improvements	-	-	-	-	-	-	-	-						
	<b>Carrying Disbursements</b>	<b>(440,338)</b>	<b>(1,238,443)</b>	<b>(863,502)</b>	<b>(724,560)</b>	<b>(786,310)</b>	<b>(283,627)</b>	<b>(232,213)</b>	<b>-</b>	<b>-</b>					
	<b>Net Cash Flows - Carrying Operations</b>	<b>(304,553)</b>	<b>602,758</b>	<b>400,231</b>	<b>868,848</b>	<b>348,269</b>	<b>199,853</b>	<b>(232,213)</b>	<b>-</b>	<b>-</b>					
Receipts	Interim financing proceeds	-	-	-	-	-	-	-	-						
	Other receipts	-	-	-	-	-	-	-	-						
Disbursements	Employee costs - head office	(10,080)	(37,500)	(10,080)	-	(48,080)	-	(40,080)	-						
	Head office and corporate costs	(142,104)	(36,100)	(10,000)	(10,000)	(10,000)	(10,000)	(5,000)	-						
	Mining purchases	(10,839)	(1,711)	-	-	-	-	-	-						
	Restructuring professional fees	-	(182,114)	(203,241)	(234,390)	(190,432)	(165,000)	(165,000)	-						
	Interim financing interest and fees	-	(51,781)	-	-	(40,516)	-	-	-						
	Callidus principal & interest on regular loan	-	(388,078)	-	-	(381,419)	-	-	-						
	Callidus A/R financing interest and fees	-	(8,078)	-	-	(20,868)	-	-	-						
	Contingency	-	-	(25,000)	(25,000)	(25,000)	-	-	-						
	<b>Total Disbursements</b>	<b>(603,361)</b>	<b>(1,980,805)</b>	<b>(1,111,823)</b>	<b>(93,534)</b>	<b>(1,502,530)</b>	<b>(468,627)</b>	<b>(442,293)</b>	<b>-</b>						
<b>Net Cash Flow</b>		<b>\$ (603,361)</b>	<b>\$ (1,980,805)</b>	<b>\$ (1,111,823)</b>	<b>\$ (93,534)</b>	<b>\$ (1,502,530)</b>	<b>\$ (468,627)</b>	<b>\$ (442,293)</b>	<b>\$ -</b>						
Cash Balance		621,202	153,627	71,023	222,934	822,392	454,344	479,197	36,904						
<b>Closing Cash Balance</b>	<b>Opening Cash Balance</b>	<b>\$ 153,627</b>	<b>\$ 71,023</b>	<b>\$ 222,934</b>	<b>\$ 822,392</b>	<b>\$ 454,344</b>	<b>\$ 479,197</b>	<b>\$ 36,904</b>	<b>\$ -</b>						



*Sworn before me on  
October 12, 2015 at Minneapolis, Minnesota  
Rita M. Schepers  
Notary*

North American Tungsten Corporation Ltd.  
Cash Flow Projection  
For the 29 weeks ended December 25  
October 9, 2015

		Care and Maintenance >>		20-Nov-15		27-Nov-15		04-Dec-15		11-Dec-15		18-Dec-15		25-Dec-15		Total for week 1 to week 29	
Receipts																	
Disbursements	Collection of accounts receivable	\$	1,007,630	\$	503,815	\$	190,857	\$	-	\$	-	\$	-	\$	-	\$	19,494,801
	Callidus A/R Financing		(503,815)		(503,815)		(162,370)		-		-		-		-		0
	Other receipts		-		-		-		-		-		-		-		0
	Total Receipts		503,815		-		18,487		-		-		-		-		19,888,422
	Employee costs - mine site		(49,280)		(106,800)		-		(61,000)		-		(61,000)		-		(8,263,135)
	Key employee retention costs		(2,000)		(2,000)		(2,000)		(2,000)		(2,000)		(2,000)		(2,000)		(145,000)
	Equipment parts / supplies		(13,751)		(13,751)		(13,751)		(13,751)		(13,751)		(13,751)		(13,751)		(1,015,935)
	Mining direct materials (including pit program)		(13,282)		(24,782)		(256,282)		(13,282)		(13,282)		(13,282)		(20,282)		(1,985,154)
	Other operating costs		(40,000)		(40,000)		(40,000)		(40,000)		(40,000)		(40,000)		-		(3,356,386)
	Diesel		(5,000)		(5,000)		(5,000)		(5,000)		(5,000)		(5,000)		(5,000)		(391,377)
Disbursements	Operating leases and insurance		-		(12,400)		-		(12,400)		-		(12,400)		-		(1,437,797)
	Freight and Expediting		-		-		-		-		-		-		-		(926,951)
	Mine site catering and janitorial		-		-		-		-		-		-		-		(20,890)
	Tailings management and dredging		-		-		-		-		-		-		-		(54,920)
	Reclamation study		-		-		-		-		-		-		-		-
	Mine maintenance / improvements		-		-		-		-		-		-		-		-
	Canliung Disbursements		(123,293)		(164,713)		(382,403)		(107,413)		(74,013)		(114,413)		(114,413)		(18,340,780)
	Net Cash Flows - Canliung Operations		380,522		(164,713)		(374,916)		(107,413)		(74,013)		(114,413)		(114,413)		1,555,642
	Receipts		-		-		-		-		-		-		-		3,000,000
	Interim financing proceeds		-		-		-		-		-		-		-		-
Disbursements	Employee costs - head office		-		(20,000)		-		(10,000)		-		(10,000)		-		(581,430)
	Head office and corporate costs		(5,000)		(5,000)		-		-		-		-		-		(466,485)
	Mining purchases		-		-		-		-		-		-		-		(31,157)
	Restructuring professional fees		(100,000)		(100,000)		(130,000)		(65,000)		(65,000)		(65,000)		(65,000)		(2,796,338)
	Interim financing interest and fees		-		-		(50,000)		-		-		-		-		(282,682)
	Callidus principal & interest on regular loan		-		-		(14,607)		-		-		-		-		(2,037,358)
	Callidus A/R financing interest and fees		-		-		(25,000)		-		-		-		-		(44,359)
	Contingency		-		-		(25,000)		-		-		-		-		(175,000)
	Total Disbursements		(228,293)		(288,713)		(751,710)		(207,413)		(164,013)		(214,413)		(214,413)		(24,173,762)
	Net Cash Flow		275,522		(288,713)		(374,916)		(107,413)		(74,013)		(114,413)		(114,413)		(1,555,642)
Cash Balance	Opening Cash Balance		36,994		312,426		22,713		(896,510)		(603,923)		(1,067,338)		(1,067,338)		\$ 822,990
	Closing Cash Balance		\$ 312,426		\$ 22,713		\$ (896,510)		\$ (603,923)		\$ (1,067,338)		\$ (1,282,349)		\$ (1,282,349)		\$ 0