



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.**

**THIRD REPORT OF THE MONITOR**

**ALVAREZ & MARSAL CANADA INC.**

**JUNE 28, 2015**



ALVAREZ & MARSAL

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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 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 June 26, 2015, the Company circulated to the Service List and to all secured creditors not otherwise included in the Service List an unfiled Notice of Application (“**NOA**”) dated June 26, 2015. The NOA is in respect of an application scheduled for June 29, 2015 for an order authorizing NATC to borrow up to \$500,000 under a credit facility (the “**Interim Facility**”) from Comsup Commodities INC (“**Comsup**”) and to create a super priority charge over the assets of NATC in the amount of \$500,000 (plus interest, fees and costs) in favour of Comsup to secure repayment of amounts borrowed under the Interim Facility (the “**Interim Lender’s Charge**”).
- 1.5 On June 27, 2015, the Company circulated to the Service List and to all secured creditors not otherwise included in the Service List the unsworn affidavit #3 of Mr. Dennis Lindahl, Chief Financial Officer and Director of NATC. Mr. Lindahl’s affidavit #3 sets out the bases for the Company’s application for interim financing, including the necessity for such financing on an urgent basis.

## 2.0 PURPOSE OF REPORT

- 2.1 This third report (the “**Third Report**”) is a special purpose report prepared to provide this Honourable Court and the Company’s stakeholders with information and the Monitor’s comments on the Company’s application for interim financing, including the following:
  - a) the particulars of the proposed Interim Facility;
  - b) a description of the secured creditors potentially affected by the Interim Lender’s Charge;
  - c) a comparison of actual cash receipts and disbursements for the period from June 9, 2015 to June 19, 2015 (the “**Initial Period**”) to those forecast in the six week cash flow statement (the

**“Cash Flow Statement”**) provided in the Monitor’s first report dated June 19, 2015 (the **“First Report”**);

- d) a review of an updated cash flow statement prepared by the Company for the 20 week period ending October 23, 2015 (the **“Second Cash Flow Statement”**), including the key assumptions on which the Second Cash Flow Statement is based; and
- e) the Monitor’s conclusions and recommendations with respect to the Company’s application for authorization to borrow under the Interim Facility subject to an authorized borrowing limit of \$500,000.

### **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 nor 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 Third Report are expressed in Canadian dollars.

#### 4.0 SECURED CREDITORS AFFECTED BY THE INTERIM LENDER'S CHARGE

4.1 A summary of the Company's estimated balance sheet as at June 9, 2015 is tabled below:

<b>North American Tungsten Corporation Ltd.</b>	
<b>Balance Sheet Summary (unaudited)</b>	
<b>As at June 9, 2015</b>	
<b>(\$000's)</b>	
<b>Assets</b>	
Cash	\$ 626
Accounts receivable and other receivables	5,700
Inventory	9,812
Property, plant and equipment	28,063
Mactung mineral property	20,096
<b>Total assets</b>	<b><u>\$ 64,297</u></b>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	\$ 18,396
Customer advances	4,302
Equipment leases	2,358
Callidus loans	12,662
Customer loans	8,164
Queenwood II	18,202
Debentures	13,191
Reclamation liability (net of deposits)	3,814
Total liabilities	81,089
Shareholders' deficit	(16,792)
<b>Total liabilities and shareholders' deficit</b>	<b><u>\$ 64,297</u></b>

- 4.2 Details of the Company's major assets and liabilities are provided in the Affidavit #1 of Dennis Lindahl dated June 8, 2015, and, accordingly, are not repeated herein.
- 4.3 As at June 9, 2015, the amounts recorded as owing to NATC's secured creditors total approximately \$60.0 million as summarized in the following table:

Secured Parties	Book Value (S000's)	Security Interest
Callidus Capital Corp. ("Callidus")	\$ 12,662	All present and after acquired property not related to Mactung
Government of the Northwest Territories (Note 1)	3,814	All present and after acquired property related to Mactung
Global Tungsten & Powders Corp ("GTP")	5,388	All present and after acquired property related to Mactung
Wolfram Bergbau und Hütten AG ("WBH")	4,305	All present and after acquired property related to Mactung
Debentureholders	13,191	All present and after acquired property of NATC
Queenwood Capital Partners II LLC ("Queenwood II")	18,202	All present and after acquired property of NATC
Equipment leases	2,358	Purchase money security interests in specific serial numbered goods
Total secured obligations	\$ 59,920	
<b>Notes</b>		
(1) The reclamation obligation due to the Government of the Northwest Territories has a present value of \$10.1 million (face value of \$11.7 million) and is net of a deposit of \$6.3 million.		

- 4.4 In addition to the above-noted secured liabilities, the Company has liabilities in respect of unremitted payroll source deductions that may rank in priority to other secured creditors. The outstanding payroll source deductions as at June 26, 2015 are as follows:

North American Tungsten Corporation Ltd. Summary of Unremitted Payroll Source Deductions As at June 26, 2015 (S000's)	
Pre-filing payroll source deductions (overdue)	\$ 302
Post-filing payroll source deductions (overdue)	153
Post-filing payroll source deductions (current)	228
Post-filing RRSP contributions (current)	22
<b>Total liability for payroll source deductions</b>	<b>\$ 705</b>

- 4.5 As indicated, the recorded book value of NATC's assets as at the date of the Initial Order, June 9, 2015, was approximately \$64 million. It should be noted that the fair market value or realizable value of those assets has not yet been determined or assessed by the Monitor. Nevertheless, based on recent (May 2015), confidential equipment appraisals commissioned by Callidus, NATC's senior secured lender, and other indications of value in respect of the Company's undeveloped Mactung property, it is the Monitor's view that the realizable value of NATC's assets would appear to be in excess of the aggregate of: (i) the Administration Charge (as defined in the Initial Order); (ii) the amount sought to be borrowed under the Interim Facility and secured under the Interim Lender's Charge (\$500,000 plus fees, costs and interest); (iii) any priority claim for unpaid payroll source deductions; and (iv) the amount owing to Callidus.

## 5.0 INTERIM FINANCING

- 5.1 As reflected in the Second Cash Flow Statement, the Company requires approximately \$2.0 million in interim financing to fund the continuation of its business and the preservation of its assets through to October 23, 2015. Of that \$2.0 million, approximately \$500,000 is required on an urgent basis in order to fund operations through to July 3, 2015.
- 5.2 The Monitor advised Management that the responsibility for sourcing and negotiating the terms and conditions of any interim financing lies with the Company.
- 5.3 The Company has approached or had discussions with a number of parties regarding the provision of interim financing, including, but not limited to, Callidus and Comsup, which emerged as the two sources of interim financing able to effect financing on a timely basis. The Monitor has reviewed draft term sheets exchanged between the Company and Comsup as well as with Callidus and has provided the Company with its feedback concerning various interim financing alternatives. The Monitor has also consulted with representatives of Callidus during this process. The Monitor is advised by the Company that its legal counsel have consulted with legal counsel for the Government of the Northwest Territories in respect of interim financing matters, including discussions regarding potential terms and the impact of the proposed Interim Lender's Charge.
- 5.4 The Monitor understands that Comsup is in the tungsten trade business and has done business with NATC over the last few years. Further, we understand that Comsup has expressed an interest in a possible acquisition of some or all of the assets of NATC.
- 5.5 Negotiations between the Company and Comsup, in consultation with the Monitor, resulted in the finalization of the interim loan agreement dated June 26, 2015 (the "**Interim Loan Agreement**"), a copy of which is attached hereto as Appendix "A".
- 5.6 The key commercial terms of the Interim Loan Agreement are as follows:
- a) Comsup will lend NATC up to \$3.0 million as follows:
    - i. \$500,000 (the "**Initial Advance**") upon closing; and
    - ii. up to \$2,500,000 (the "**Second Advance**") upon satisfaction of certain supplemental conditions.
  - b) It is a condition of the Interim Loan Agreement that the Interim Lender's Charge be granted by this Honourable Court, and that such charge be a first-ranking super priority charge against all assets of NATC in priority to all other encumbrances other than the Administrative

Charge and any claims for reclamation costs against the Cantung mine pursuant to section 11.8(8) of the CCAA;

- c) The maturity date of the Interim Facility shall be at the earliest of (i) November 15th, 2015, (ii) the date the stay of proceedings expires in the CCAA Proceedings, and (iii) 10 days following written notice being provided by NATC to the Interim Lender of an un-remedied event of default;
- d) The Interim Facility provides for the following fees and interest to be paid to Comsup:
  - i. a commitment fee of 4% of the Initial Advance and Second Advance;
  - ii. a standby fee of 2%;
  - iii. an interest rate of 14% per annum; and
  - iv. graduated prepayment fees ranging from 0% to 3% depending on the term of the loan.
- e) The Interim Facility is subject to a reporting covenant which requires NATC to provide weekly reporting to Comsup on NATC's actual cash flow compared to its budgeted cash flow which will be subject to the Monitor's review prior to issuance to Comsup. The Monitor has suggested that this information should also be made available to Callidus.

5.7 As indicated in the Second Cash Flow Statement, the Company does not have sufficient funds to pay current operating expenses without an immediate infusion of cash. Accordingly, at this time the Company is seeking authorization to borrow the Initial Advance and intends to seek further approval of the full amount of the Interim Facility at a later date and on further notice to affected parties.

## **6.0 CASH FLOW VARIANCE ANALYSIS**

6.1 The Monitor's comments with respect to the Cash Flow Statement and its review of same are included in the Monitor's First Report dated June 19, 2015 and are not repeated herein.

6.2 As part of the Monitor's ongoing oversight and monitoring of the business and financial affairs of the Company, the Monitor has undertaken weekly reviews of the Company's actual cash flow in comparison with that contained in the Cash Flow Statement. The Company's actual cash receipts and disbursements as compared to the Cash Flow Statement for the Initial Period are summarized below:



**North American Tungsten Corporation Ltd.**  
**Summary of Actual Versus Forecast Cash Flows**  
**For the period June 9, 2015 to June 19, 2015**  
**(\$000's)**

	June 9 to June 19		
	Actual	Forecast	Variance
<b>Receipts</b>			
Collection of accounts receivable	\$ 994	\$ 1,540	\$ (546)
Other receipts	105	-	105
<b>Total Receipts</b>	<u>1,099</u>	<u>1,540</u>	<u>(441)</u>
<b>Disbursements</b>			
Employee costs - mine site	334	575	(241)
Employee costs - head office	79	56	23
Mining raw materials	29	22	8
Mill raw materials	38	158	(120)
Fuel	335	243	92
Equipment parts and supplies	37	131	(94)
Freight and expediting	73	113	(40)
Catering and janitorial	-	96	(96)
Tailings management and dredging	-	50	(50)
Development costs - Mactung	2	-	2
Head office costs	12	35	(23)
Other operating costs	125	282	(157)
Mill maintenance	-	54	(54)
Restructuring professional fees	-	110	(110)
<b>Total Disbursements</b>	<u>1,063</u>	<u>1,924</u>	<u>(861)</u>
<b>Net Cash Flow</b>	<u>\$ 37</u>	<u>\$ (383)</u>	<u>\$ 420</u>
<b>Cash Position</b>			
Opening Cash Position	626	532	94
<b>Closing Cash Position</b>	<u>\$ 663</u>	<u>\$ 149</u>	<u>\$ 513</u>

6.3 In summary, the Company experienced a net favourable cash flow variance of \$420,000 for the Initial Period. The principal components of the variance are described below:

- a) collections of accounts receivable were \$546,000 lower than forecast, primarily due to a timing difference with respect to collections from GTP. The Cash Flow Statement was prepared based on the assumption that payments for shipments of tungsten concentrate would be paid within five days of shipment. In the case of GTP, this payment was achieved through a factoring arrangement between NATC and The Royal Bank of Scotland plc ("RBS"). RBS has discontinued payments under the factoring arrangement and GTP is not willing to accelerate their existing contractual 30 day payment terms to allow for continuity of the timing of cash receipts;
- b) other receipts were \$105,000 higher than forecast, primarily due to the collection of a pre-filing fuel tax rebate;

- c) employee costs are lower than forecast due to timing differences with respect to remittance of payroll source deductions. Refer to section 4.4 for further details on the current status of payroll source deduction remittances;
  - d) various mine operating disbursements, including raw materials, equipment parts, supplies, and other operating costs, are approximately \$624,000 less than initially forecast due to timing of payments resulting from the Company obtaining post-filing credit terms from certain suppliers and delayed issuance of purchase orders during the first week of the CCAA Proceedings;
  - e) fuel costs were \$92,000 higher than forecast due to the Company's diesel vendor requiring advance payment; and
  - f) restructuring professional fees were lower than forecast due to timing differences.
- 6.4 During the CCAA Proceedings, the Company has made payments of pre-filing amounts of less than \$1,000 owed to trade creditors.

## **7.0 SECOND CASH FLOW STATEMENT**

- 7.1 Management has prepared the Second Cash Flow Statement based on probable and hypothetical assumptions, a copy of which is attached as Appendix "B". A summary of the Second Cash Flow Statement is provided in the table below:

**North American Tungsten Corporation Ltd.**  
**Second Cash Flow Statement**  
**For the period June 9, 2015 to October 23, 2015**  
**(\$000's)**

	<b>June 9, 2015 to June 20, 2015 to</b> <b>June 19, 2015 October 23, 2015</b>		
	<b>Actual</b>	<b>Forecast</b>	<b>Total</b>
<b>Receipts</b>			
Collection of accounts receivable	\$ 994	\$ 22,051	\$ 23,046
Interim financing	-	2,000	2,000
Other receipts	102	566	668
<b>Total Receipts</b>	<u>1,096</u>	<u>24,617</u>	<u>25,714</u>
<b>Disbursements</b>			
Employee costs - mine site	334	7,864	8,198
Employee costs - head office	79	440	519
Equipment parts and supplies	37	462	499
Mining raw materials	29	649	679
Mill raw materials	38	1,986	2,023
Other operating costs	125	2,926	3,051
Fuel	335	3,027	3,361
Operating leases and insurance	(3)	278	275
Freight and expediting	73	1,377	1,449
Catering and janitorial	-	767	767
Tailings management and dredging	-	456	456
Mill maintenance	-	446	446
Development costs - Mactung	2	998	1,000
Head office and corporate costs	12	525	537
Restructuring professional fees	-	1,024	1,024
Financing costs	-	86	86
Contingency	-	1,000	1,000
<b>Total Disbursements</b>	<u>1,060</u>	<u>24,312</u>	<u>25,371</u>
<b>Net Cash Flow</b>	<u>\$ 37</u>	<u>\$ 306</u>	<u>\$ 342</u>
<b>Opening</b>			
Opening Cash Position	626	663	626
<b>Closing Cash Position</b>	<u>\$ 663</u>	<u>\$ 968</u>	<u>\$ 968</u>

7.2 In summary, and as indicated in the Second Cash Flow Statement, during the 18 week period from June 20, 2015 to October 23, 2015 (the “**Forecast Period**”):

- a) collection of accounts receivable of \$22.1 million is based on expected production of approximately 90,000 MTUs of tungsten concentrate during the Forecast Period. Receipts from sales to GTP are no longer expected to be collected within five days of shipment due to the termination of the factoring arrangement previously in place with RBS which is described in section 6.3(a). The Second Cash Flow Statement has been prepared based on the assumption that the Company will be able to achieve continuity of their cash receipts by selling all of their production to WBH, finding an alternative customer, or arranging for expedited payment terms from GTP. Management has advised the Monitor that WBH has

agreed to purchase additional tungsten concentrate for the three weeks ending July 17, 2015 and that the Company is continuing to work on alternative arrangements for the balance of the Forecast Period;

- b) interim financing proceeds relate to advances under the Interim Facility which are forecast to be \$2.0 million during the Forecast Period, including \$500,000 during the week ending July 3, 2015, an additional \$1.0 million during the week ending July 10, 2015 and a further \$500,000 during the week ending August 21, 2015. The key commercial terms of the Interim Facility are described in section 5.6;
- c) other receipts of \$566,000 include fuel and GST tax rebates;
- d) employee costs for the Cantung mine site and head office of approximately \$8.3 million include payroll, benefits and payroll withholdings remittances as well as a provision of \$500,000 for an employee retention plan, details of which have not yet been determined. Arrears of payroll source deductions remittances are forecast to be brought up to date by the week ending July 17, 2015. Employee costs at the mine site reflect staged temporary layoffs of underground mine workers announced on June 1, 2015, some of which will be converted to permanent layoffs;
- e) mining raw materials costs of \$649,000 include costs of explosives, steel, drill bits and ground support and are estimated based on reduced production levels due to the temporary layoffs of mine employees referred to in Section 7.2(d);
- f) mill raw materials costs of \$2.0 million include costs of reagents and other chemicals, grinding medium and other direct production costs. The Company expects to source ore primarily from existing stockpiles as well as limited underground mining;
- g) fuel costs of \$3.0 million primarily relate to diesel used by generators that provide power to the mine site;
- h) equipment parts and supplies costs of \$462,000 are forecast based on current run rates, adjusted for a reduction in stock on hand to the minimum levels required to support approximately 30 days of production;
- i) freight and expediting disbursements of \$1.4 million is for shipping costs, a portion of which is recoverable from customers;

- j) tailings management and dredging disbursements of \$456,000 include dredging an existing tailings pond to provide capacity for continuing operations and performing certain reclamation work related to the potential reclamation closure liability;
- k) development costs of \$1.0 million relate to definitional drilling and environmental data collection at the Company's Mactung development property;
- l) head office and corporate costs of \$525,000 include corporate and administrative costs as well as insurance payments and operating leases;
- m) other operating costs of approximately \$3.1 million include costs of environmental management, safety programs, site administration and maintenance of infrastructure and surface vehicles;
- n) mill maintenance disbursements of \$446,000 are for projects required to maintain operating efficiency and power distribution at the mine site;
- o) financing costs of \$86,000 include certain interest and fees related to the Interim Facility. Inclusive of all fees, interest, and legal costs, it appears that disbursements related to the Interim Facility will be closer to \$200,000 during the Forecast Period. However, these additional costs appear to be adequately provided for in the contingency; and
- p) professional fees are forecast to be \$1.0 million during the Forecast Period for services rendered by the Company's legal counsel, the Monitor and the Monitor's legal counsel.

7.3 Summarized in the table below is an excerpt from the Second Cash Flow Statement that highlights the urgent cash requirements of NATC over the next four week period and the resultant need for interim financing of \$500,000 during the week ending July 3, 2015 and another \$1.0 million required during the week ending July 10, 2015.

**North American Tungsten Corporation Ltd.**  
**Second Cash Flow Statement Summary Excerpt**  
**For the 6 Week Period ending July 17, 2015**  
**(\$000's)**

	Week 1 to Week 2 Actual 19-Jun-15	Week 3 Forecast 26-Jun-15	Week 4 Forecast 3-Jul-15	Week 5 Forecast 10-Jul-15	Week 6 Forecast 17-Jul-15	Week 1 to Week 6 Total
<b>Receipts</b>						
Operating receipts	\$ 1,096	\$ 326	\$ 421	\$ 1,336	\$ 1,727	\$ 4,906
Interim financing	-	-	500	1,000	-	1,500
Total Receipts	1,096	326	921	2,336	1,727	6,406
<b>Disbursements</b>						
Operating disbursements	1,060	895	824	1,750	1,758	6,288
Restructuring professional fees	-	-	-	446	60	506
Financing costs	-	-	20	40	-	60
Contingency	-	-	25	50	50	125
Total Disbursements	\$ 1,060	\$ 895	\$ 869	\$ 2,286	\$ 1,868	\$ 6,979
<b>Net Cash Flow</b>	<b>\$ 37</b>	<b>\$ (570)</b>	<b>\$ 52</b>	<b>\$ 50</b>	<b>\$ (141)</b>	<b>\$ (572)</b>
Opening Cash Position	\$ 626	\$ 663	\$ 93	\$ 145	\$ 195	\$ 626
<b>Closing Cash Position</b>	<b>\$ 663</b>	<b>\$ 93</b>	<b>\$ 145</b>	<b>\$ 195</b>	<b>\$ 54</b>	<b>\$ 54</b>

## 8.0 MONITOR'S CONCLUSIONS AND RECOMMENDATIONS

8.1 Having regard to S. 11.2 of the CCAA and based on current information made available by Management, the Monitor has formed the following conclusions in respect NATC's application for approval of the Interim Facility and the Interim Lender's Charge:

- a) there is no doubt that the Company requires additional financing at this time, and urgently requires the Initial Advance to allow for payment of certain time sensitive obligations to be made during the week ending July 3, 2015;
- b) the Interim Facility is supported by certain key stakeholders, including Queenwood II (a company with common officers and directors to NATC), and the Company has consulted on this matter with other affected stakeholders, including Callidus and the Government of the Northwest Territories;
- c) a confidential appraisal commissioned in accordance with NATC's obligations under its loan agreements with Callidus indicates a sufficiently high forced liquidation value of the Company's assets indicating values in excess of amounts due to Callidus in addition to the amount of the Initial Advance and certain other priority amounts;

- d) the Interim Facility, should the full amount be eventually approved by this Honourable Court, will provide sufficient liquidity and working capital for the Company to pursue various restructuring initiatives and any planned orderly asset dispositions (which remain preliminary);
- e) the Company sought out other sources of financing, including from its senior secured lender, before settling on the Interim Loan Agreement;
- f) the terms of the Interim Facility, including interest rates and fees, are, in the Monitor's experience, reflective of the market terms for interim financings in the context of distressed companies and are commercially reasonable in the circumstances when compared to the terms of other Court-approved interim financing facilities in recent and comparable CCAA proceedings; and
- g) given, among other things, the likely alternatives to the Company being able to borrow under the Interim Facility, the Interim Facility will enhance the prospects of a viable compromise or arrangement being made in respect of the Company.


8.2 While there remains some uncertainty as to which, if any, of NATC's secured creditors may be subject to the ultimate financial impact of the Interim lender's Charge, the Monitor is of the view that on balance, there is no material prejudice to the creditors of NATC, as a result of incremental interim financing currently sought by the Company. Any prejudice to the creditors must be weighed and balanced against amongst other things, the urgent need for the Initial Advance enabling continuity of NATC's operations, any on-going reclamation work at Cantung and the protection and preservation of value of NATC's assets at least until such time as a more clear path to a restructuring can be determined.

8.3 For the reasons outlined above, the Monitor recommends that this Honourable Court approve the Company's application for authorization to borrow under the Interim Facility and the granting of the Interim Lender's Charge to secure repayment of any borrowings under the Interim Facility.

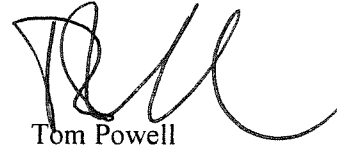
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All of which is respectfully submitted to this Honourable Court this 28th day of June, 2015.

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

A handwritten signature in black ink, appearing to read 'T. Martin', with a stylized, sweeping flourish extending from the end.

Per: Todd M. Martin  
Senior Vice President

A handwritten signature in black ink, appearing to read 'Tom Powell', with a large, looped initial 'T' and a long, horizontal flourish extending to the right.

Per: Tom Powell  
Director



## APPENDIX A

**SUMMARY OF TERMS FOR SENIOR SECURED SUPER-PRIORITY INTERIM LENDING CREDIT  
FACILITY (the "Interim Loan Agreement")**

**DATE:** June 25, 2015

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

**FROM:** Comsup Commodities INC (the "Interim Lender")

\_\_\_\_\_

\_\_\_\_\_

WHEREAS the Interim Lender has agreed to make a credit facility available to the Borrower pursuant to its court-ordered authority to borrow on the terms and conditions set out in this Interim Loan Agreement. NOW THEREFORE, in consideration of the respective covenants and agreements herein contained and for other good and valuable consideration (the receipt and sufficiency of which is hereby acknowledged by each of the Borrower and the Interim Lender), the Borrower and the Interim Lender hereby covenant and agree as follows:

**Borrower:** The Borrower.

**Lender:** The Interim Lender.

**CCAA Case:** *Companies' Creditors Arrangement Act ("CCAA") proceedings commenced in the Supreme Court of British Columbia (the "Court"), Vancouver, Registry Action Number S-154746 (the "CCAA Proceedings").*

**Purpose:** Credit facility for interim lending, as authorized in the CCAA Proceedings.

**Maximum Availability:** Subject to the Court in the CCAA Proceedings granting an order (the "**Interim Borrowing Order**") approving and authorizing the Borrower to enter into this Interim Loan Agreement, and subject to satisfaction of the Conditions Precedent (as herein defined), a non-revolving demand credit facility will be available to the Borrower to a maximum amount of \$3,000,000.00 (the "**Interim Lending Facility**").

The Interim Lending Facility will be made available as follows:

- (a) subject to satisfaction of the Initial Loan Conditions (as defined herein), an initial amount of \$500,000.00 (the "**Initial Loan**") on the Initial Loan Closing Date (as defined herein); and
- (b) subject to satisfaction of the Supplemental Loan Conditions (as defined herein), a second amount of up to \$2,500,000 (the "**Second Loan**") on the Second Loan Closing Date (as defined herein).

**Security:** Security for repayment of the Interim Lending Facility will be: (i) a fully perfected \$3,000,000.00 (plus all interest, costs, fees and expenses as provided herein) court-ordered super-priority first-ranking charge against all the Property of the Borrower (as such term is defined in the initial order in the CCAA Proceedings made June 9, 2015 (the "**Initial Order**"), including, without limitation, in priority to any and all equipment lessors, claims of lien or reclamation, or any other claims of the Government of the Northwest Territories ("**GNWT**") excepting therefrom any claims under section 11.8(8) of



the CCAA (the "**11.8(8) Claims**") in a form satisfactory to the Interim Lender (the "**Interim Lender's Charge**"); (ii) a general security agreement providing a first ranking charge on all present and after-acquired personal property of the Borrower which shall be perfected under the provisions of the *Personal Property Security Act* in British Columbia, Yukon and the Northwest Territories by registration of a financing statement in respect of the security interest created by the general security agreement in the British Columbia, Yukon and Northwest Territories Personal Property Registries; and (iii) such other security as the Interim Lender and its solicitors may deem necessary, including but not limited to a first ranking charge over the Equipment of the Borrower (defined below), and subject to any 11.8(8) Claims, over the mining claims of the Borrower and all permits and licenses related to the Cantung Mine and Mactung Property (as defined in the Initial Order), and any present and after acquired concentrate and inventory from the Cantung Mine (collectively, the "**Security**"). Notwithstanding the foregoing, the Interim Lender hereby agrees that the Security shall be subordinate to the rights of the purchasers of concentrate in the ordinary course of business upon the title passing to such purchasers at the mine gate and further that the Security shall rank behind the Administration Charge (as such term is defined in the Initial Order), provided such Administration Charge is limited to a maximum of \$500,000).

**Conditions Precedent to Closing:**

- (a) The making of the Initial Loan is subject to:
  - (i) the issuance, on notice to all secured creditors of the Borrower likely to be affected, of the Interim Borrowing Order, satisfactory in form and substance to the Interim Lender, acting reasonably, which order shall include, among other things, orders (i) creating the Interim Lender's Charge, which shall be a charge on all of the Property of the Borrower (as defined in the Initial Order) and assets of the Borrower ranking in priority to all other security interests, trusts, liens, charges and encumbrances statutory or otherwise, including without limitation any and all reclamation claims of GNWT (other than the Administration Charge and the 11.8(8) Claims) as security for the satisfaction of all obligations of the Borrower to the Interim Lender in connection with this Interim Loan Agreement, (ii) approving the terms of the Interim Lending Facility, and (iii) authorizing the Borrower to borrow up to the Initial Loan amount from the Interim Lender; and such order being in full force and effect, unamended, not stayed and not appealed, or if appealed, such appeal has been denied;
  - (ii) provision of a list of Borrower owned equipment (the "**Equipment**") satisfactory to the Interim Lender, acting reasonably, with supporting evidence of title as necessary, and
  - (iii) the Borrower shall have paid the Good Faith Deposit (as defined herein) and the First Commitment Fee (as defined herein) to the Interim Lender;(the "**Initial Loan Conditions**");
- (b) The making of the Second Loan is subject to satisfaction of the following conditions:
  - (iv) the Court shall have granted an order authorizing the Borrower to borrow up to the full amount of the Interim Lending Facility



from the Interim Lender;

- (v) the Borrower shall have paid the Second Commitment Fee (as herein defined) then owing together with any other fees then owing to the Interim Lender hereunder;
- (vi) verification to the satisfaction of the Interim Lender, acting reasonably, of title/ownership of all mineral claims and permits;
- (vii) provision of a cash flow forecast satisfactory to the Interim Lender, acting reasonably;
- (viii) a valuation of the assets of the Borrower, satisfactory to the Interim Lender, acting reasonably (the "**Valuation**"), be completed at the Borrower's expense, provided however that the Valuation need not be obtained in the event the Borrower is able to provide to the Interim Lender the valuation prepared by Hilco Valuation Services dated May 12, 2015 (the "**Hilco Valuation**") and the Hilco Valuation is satisfactory to the Interim Lender; and
- (ix) any other due diligence deemed necessary by the Interim Lender and its solicitors in their sole discretion,

(the "**Second Loan Conditions**" and, together with the Initial Loan Conditions, the "**Conditions Precedent**").

Each of the Conditions Precedent is for the sole benefit of the Interim Lender and may be waived by the Interim Lender in writing in its sole discretion.

**Availability**

Provided that no Event of Default (as defined herein) has occurred and is then continuing and has not been waived, on and after the respective Closing Dates (as defined herein), the Borrower may request advances under this Interim Loan Agreement.

**Drawdowns:**

Drawdowns may be made in minimum instalments of \$100,000.00 with no maximum.

**Termination Date:**

The maturity date of the Interim Lending Facility shall be the earliest of (the "**Termination Date**"):

- (i) November 15<sup>th</sup>, 2015;
- (ii) the date the stay of proceedings expires in the CCAA Proceedings; and
- (iii) 10 days following written notice being provided by the Borrower to the Interim Lender of an unremedied Event of Default that has not been waived (as defined herein).

**Closing Date:**

The closing date for the Initial Loan shall be the date on which the Initial Loan Conditions shall have been satisfied or waived (the "**Initial Loan Closing Date**"). The closing date for the Second Loan shall be within two business days (in Vancouver) of the date on which the Second Loan Conditions shall have been satisfied or waived (the "**Second Loan Closing Date**" and, together with the Initial Loan Closing Date, the "**Closing Dates**").



**Interest Rate:** 14.0% per annum.

**Repayment:** All amounts outstanding under the Interim Lending Facility, including principal and interest, shall be repaid by Borrower on the Termination Date. Subject to payment of the Borrower's obligations to the beneficiaries of the Administration Charge up to the maximum amount of \$500,000 (provided such payments reduce the amount of the Administration Charge with priority over the Security), the Interim Lender shall be entitled to any proceeds received by the Borrower from the sale of any of the Borrower's assets which proceeds shall be applied by the Interim Lender against the amounts owing under the Interim Lending Facility.

**Fees:** **First Commitment Fee** - the Borrower shall pay to the Interim Lender an initial commitment fee (the "**First Commitment Fee**") equal to 4.0% of the amount of the Initial Loan. The First Commitment Fee shall be non-refundable, fully earned and payable no later than the Initial Loan Closing Date. Notwithstanding the foregoing, \$15,000 of the First Commitment Fee is non-refundable, payable, and fully earned in advance on execution of this Interim Loan Agreement (the "**Good Faith Deposit**") and will be credited towards the First Commitment Fee, or may be financed as part of the Initial Loan.

**Second Commitment Fee** - the Borrower shall pay to the Interim Lender a second commitment fee (the "**Second Commitment Fee**") equal to 4.0% of the amount of the Second Loan. The Second Commitment Fee shall be non-refundable, fully earned and payable no later than the Second Loan Closing Date.

**Standby Fee** - the Borrower shall pay to the Interim Lender a standby fee (the "**Standby Fee**") equal to 2% of the undrawn portion of the Interim Lending Facility, payable monthly in arrears on the last business day (in Vancouver) of each month.

**Prepayment Option:** Provided that no Event of Default has occurred and is then continuing and has not been waived, the Interim Lending Facility may be prepaid by the Borrower at any time following two months from the date of the Interim Borrowing Order, subject to a prepayment penalty of:

- 3.0% of the Interim Lending Facility amount if repaid after 2 months but before 3 months after the Initial Order date;
- 2.25% of the Interim Lending Facility amount if repaid after 3 months but before 4 months after the Initial Order date;
- 1.5% of the Interim Lending Facility amount if repaid after 4 months but before 5 months after the Initial Order date;
- 0.75% of the Interim Lending Facility amount if repaid after 5 months of the Initial Order date but before the Termination Date; and
- 0.0% of the Interim Lending Facility amount if repaid on the Termination Date.

**Representations,  
Warranties and  
Covenants:**

The Borrower represents, warrants and covenants to the Interim Lender:

- (a) Corporate Power. The Borrower has full corporate power and authority to enter into and perform its obligations provided for under this Interim Loan Agreement;



- (b) Authorization. This Interim Loan Agreement has been duly authorized by all necessary corporate action;
- (c) Accuracy of Information. All written information filed by the Borrower in connection with the CCAA Proceedings and delivered by the Borrower to the Interim Lender in connection with this Interim Loan Agreement is accurate in all material respects and contains no material misstatement of fact nor does it omit a material fact the omission of which would make such information misleading in light of the circumstances in which the statements contained therein were made; and, to the extent that there are financial forecasts contained in such information, they have been prepared on the basis of reasonable assumptions and procedures and represent an estimate of the results forecast therein;
- (d) Default. No Event of Default has occurred and is continuing;
- (e) Defects of Title. There is no deficiency or defect in the title of the Borrower to the Borrower's assets which would have, or which would reasonably be expected to have, a Material Adverse Effect (as defined herein) on the Borrower;
- (f) Mineral Claims. The Borrower is the sole legal and beneficial owner of all right, title and interest in and to the mineral claims as disclosed by the Borrower to the Interim Lender, free and clear of all encumbrances except those charges and encumbrances evidenced by registrations in public registries, including the British Columbia, Yukon, and Northwest Territories Personal Property Registries as well as the Yukon and Northwest Territories Mining Recorder, and the 11.8(8) Claims, if any, and there are no adverse claims against or challenges to the title to or ownership of such mineral claims. The Borrower shall pay all annual, renewal or other fees and take such other steps and do such other things in order to maintain the mineral claims and permits currently owned or held by it in good standing with all applicable governmental authorities from and after the date of execution of this Interim Loan Agreement until the Termination Date;
- (g) Notices. The Borrower will provide the Interim Lender with prompt written notice of any adverse notice, document or other correspondence it receives from any governmental authority, including, but not limited, to the Yukon and Northwest Territories government;
- (h) Sales Proceeds. The Borrower will give the Interim Lender prompt written notice of any sale by or on behalf of the Borrower of the Borrower's assets with details of the proceeds derived from such sale; and
- (i) Reporting. The Borrower shall provide weekly reporting of the Borrower's actual cash flow compared to its budgeted cash flow which will be subject to the Monitor's review prior to issuance to the Lender.

**Events of Default:**

**"Material Adverse Effect"** means: (a) any effect which is, or could reasonably be expected to be adverse on the, (i) status or condition (financial or otherwise), properties, assets, ownership, capital, liabilities, obligations (whether absolute, accrued, conditional or otherwise), business operations or results of operations of the Borrower that, in the Interim Lender's opinion, is material; or (ii) ability of the Borrower to perform and discharge its obligations under this Interim Loan Agreement or any document executed by the Borrower in relation to this Interim Loan Agreement which, in the Interim Lender's



opinion, is material; or (b) any event that would constitute an Event of Default or any event which, with the giving of notice or lapse of time or otherwise, could constitute an Event of Default.

Each of the following events constitutes an "**Event of Default**" under this Interim Loan Agreement whether any such Event of Default shall be voluntary or involuntary or be effected by operation of law or pursuant to or in compliance with any judgment, decree or order of any court or any order, rule or regulation of any governmental authority:

- (a) Payment. The Borrower fails to make any payment of fees, interest or principal when due and payable hereunder.
- (b) Breach or Default of Borrower. The Borrower commits a material breach of, or defaults in the due and prompt performance or observance of, any of its covenants, conditions or obligations pursuant to this Interim Loan Agreement or any other document executed by the Borrower in relation to this Interim Loan Agreement, and such breach is not remedied within 10 days after the Borrower has received written notice from the Interim Lender thereof.
- (c) Change of Monitor. There is a change in the party appointed by the Court in the CCAA Proceedings as monitor of the Borrower without the prior written consent of the Interim Lender.
- (d) Breach of Orders. The Borrower is in violation of, or non-compliance with, any order issued under the CCAA Proceedings.
- (e) Orders. There is an amendment to or variation of the Initial Order or the Interim Borrowing Order not consented to by the Interim Lender, acting reasonably.
- (f) Proceedings. Except as permitted by the Initial Order, any proceeding is taken or commenced by any creditor against the Borrower or its assets.
- (g) Failure to Pay. The Borrower fails to pay any claims ranking in priority to the Interim Lender's Charge as and when such claims come due.
- (h) Jeopardy. The Interim Lender in good faith and on commercially reasonable grounds believes that the prospect of payment or performance of any of the Borrower's obligations hereunder or under the Security is impaired.
- (i) Administration Charge. The Administration Charge (as defined in the Interim Order) exceeds \$500,000, without the prior written consent of the Interim Lender.
- (j) Reporting. Failure of the Borrower to provide the reporting specified herein.

**Legal and Other  
Costs:**

Whether or not the Initial Loan or the Second Loan are made, the Borrower will reimburse the Interim Lender for all reasonable costs incurred by the Interim Lender, directly or indirectly, including without limitation, the time spent by the Interim Lender's personnel, at a rate based on the Interim Lender's normal hourly rates, the expenses of the Interim Lender's personnel, including reasonable travel expenses, and all reasonable legal fees and disbursements actually incurred by the Interim Lender in respect of the Interim Lending Facility (including preparation of this Interim Loan Agreement), the enforcement and



preservation of the Interim Lender's rights and remedies under this Interim Loan Agreement and the Security and preparation of any valuation of the assets of the Borrower (collectively, the "**Costs**"). The Interim Lender shall be entitled to deduct the Costs from the Initial Loan or the Second Loan.

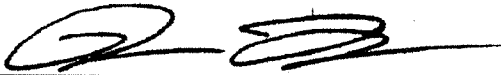
**Governing Law:** This Interim Loan Agreement is governed by and interpreted in accordance with the laws of the Province of British Columbia and the federal laws of Canada applicable therein, and the Borrower hereby irrevocably attorns to the jurisdiction of the courts of the Province of British Columbia.

**Currency:** All sums of money referred to in this Interim Loan Agreement are expressed in lawful money of Canada.

**Counterpart Execution:** This Interim Loan Agreement and all other documents related hereto or arising herefrom may be executed in any number of counterparts (including by facsimile transmission or other electronic means) and by different parties in separate counterparts, each of which when so executed will be deemed to be an original and all of which taken together will constitute one and the same instrument.

This Interim Loan Agreement is open for acceptance until the close of business (in Vancouver) on June 26, 2015.

**COMSUP COMMODITIES INC**



Name: Michael Bollag  
Title: President

*I have authority to bind the corporation*

**NORTH AMERICAN TUNGSTEN CORPORATION LTD.**

By: \_\_\_\_\_

Name:  
Title:

*I have authority to bind the corporation*

ACCEPTED this \_\_\_\_ day of June , 2015.



preservation of the Interim Lender's rights and remedies under this Interim Loan Agreement and the Security and preparation of any valuation of the assets of the Borrower (collectively, the "Costs"). The Interim Lender shall be entitled to deduct the Costs from the Initial Loan or the Second Loan.

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This Interim Loan Agreement is open for acceptance until the close of business (in Vancouver) on June 26, 2015.

COMSUP COMMODITIES INC

\_\_\_\_\_  
Name: Michael Bollag  
Title: President

*I have authority to bind the corporation*

NORTH AMERICAN TUNGSTEN CORPORATION LTD.

By: \_\_\_\_\_

Name: Dennis Lindahl  
Title: CFO

*I have authority to bind the corporation*

ACCEPTED this \_\_\_\_\_ day of June, 2015.

## APPENDIX B

# SCHEDULE "C"

Draft for discussion

North American Tungsten Corporation Ltd.  
Second Cash Flow Statement  
For the 20 Week Period ending October 23, 2015  
(\$000's)

	Week 1 to Week 2 Actual	Week 3 Forecast	Week 4 Forecast	Week 5 Forecast	Week 6 Forecast	Week 7 Forecast	Week 8 Forecast	Week 9 Forecast	Week 10 Forecast	Week 11 Forecast	Week 12 Forecast	Week 13 Forecast	Week 14 Forecast	Week 15 Forecast	Week 16 Forecast	Week 17 Forecast	Week 18 Forecast	Week 19 Forecast	Week 20 Forecast	Week 1 to Week 20 Total
<b>Receipts</b>																				
Collection of accounts receivable	\$ 994	\$ 326	\$ 421	\$ 1,290	\$ 1,727	\$ 2,036	\$ 1,105	\$ 1,198	\$ 1,155	\$ 1,155	\$ 1,155	\$ 1,247	\$ 1,425	\$ 1,425	\$ 1,425	\$ 1,518	\$ 1,281	\$ 1,281	\$ 880	\$ 21,046
Interim financing	102	-	500	1,000	-	-	-	-	40	500	-	-	-	-	-	-	-	-	-	2,000
Other receipts	1,096	336	921	2,336	1,727	2,036	1,105	1,198	1,195	1,655	1,155	1,447	1,465	1,425	1,425	1,718	1,321	1,281	880	25,714
<b>Disbursements</b>																				
Financing costs	-	-	20	40	-	-	-	-	-	20	-	-	-	-	-	-	-	-	-	86
Employee costs - mine site	334	523	190	809	855	312	225	510	312	540	228	405	349	393	409	309	469	454	552	8,198
Employee costs - head office	79	33	34	-	39	9	39	9	39	9	39	9	39	9	39	9	49	9	49	519
Mining raw materials	29	0	23	23	23	23	23	59	59	59	59	54	54	54	54	28	28	28	-	679
Mill raw materials	38	41	40	170	120	120	120	120	120	120	120	120	120	120	120	120	120	120	60	2,023
Fuel	335	3	96	192	192	192	192	192	192	192	192	192	192	192	192	192	192	192	48	3,361
Equipment parts and supplies	37	1	11	76	26	26	26	26	26	26	26	26	26	26	26	26	26	26	13	499
Operating leases and insurance	(3)	-	73	-	-	-	-	67	-	-	-	67	-	-	-	67	-	-	-	275
Freight and expediting	73	66	111	75	75	75	75	75	75	75	75	75	75	75	75	75	75	75	75	1,449
Catering and janitorial	-	116	73	-	73	-	74	-	74	-	73	-	70	-	71	-	71	-	71	767
Salaries management and dredging	-	-	-	13	13	-	-	15	165	150	100	-	-	-	-	-	-	-	-	456
Development costs - Mactung	2	-	-	350	150	132	32	82	32	32	32	32	32	32	32	32	32	32	82	1,000
Head office and corporate costs	12	-	25	25	25	25	25	25	25	25	125	25	25	25	25	25	25	25	25	537
Other operating costs	125	112	118	218	168	168	168	168	168	168	168	168	168	168	168	168	168	168	126	3,051
Mill maintenance	-	-	50	-	-	100	-	96	100	-	-	50	-	50	-	-	-	-	-	-
Restructuring professional fees	-	-	-	446	60	37	37	37	37	37	37	37	37	37	37	37	37	37	37	406
Contingency	-	-	25	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	1,004
Total Disbursements	1,050	895	869	2,286	1,884	1,268	1,155	1,467	1,524	1,502	1,323	1,310	1,261	1,255	1,322	1,164	1,387	1,240	1,214	25,372
<b>Net Cash Flow</b>	\$ 37	\$ (570)	\$ 52	\$ 50	\$ (141)	\$ 768	\$ (50)	\$ (269)	\$ (329)	\$ 152	\$ (169)	\$ 137	\$ 204	\$ 170	\$ 103	\$ 554	\$ (65)	\$ 41	\$ (334)	\$ 342
<b>Opening Cash Position</b>	626	663	93	145	195	54	812	771	503	374	326	358	295	499	669	772	1,326	1,261	1,302	676
<b>Closing Cash Position</b>	\$ 663	\$ 93	\$ 145	\$ 195	\$ 54	\$ 812	\$ 771	\$ 503	\$ 174	\$ 326	\$ 158	\$ 295	\$ 499	\$ 669	\$ 772	\$ 1,326	\$ 1,261	\$ 1,302	\$ 968	\$ 968