



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.**

**EIGHTEENTH REPORT OF THE MONITOR**

**ALVAREZ & MARSAL CANADA INC.**

**JUNE 15, 2018**



ALVAREZ & MARSAL

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**c. C-36, AS AMENDED**

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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 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 subsequent orders of the Court made in the CCAA Proceedings, the most recent on September 11, 2017, the Stay Period has been extended until March 31, 2019.
- 1.3 Pursuant to the Initial Order, Alvarez & Marsal Canada Inc. (the “**Monitor**”) was appointed as Monitor of the Company in the CCAA Proceedings.
- 1.4 On November 16, 2015, the Court granted orders which, among other things, empowered and authorized the Monitor to act in respect of the Property and the Business, as those terms are defined in the Initial Order (the “**November 16, 2015 Order**”).
- 1.5 The Initial Order, along with other documents filed in the CCAA Proceedings, are posted on the Monitor’s website at [www.alvarezandmarsal.com/northamerican](http://www.alvarezandmarsal.com/northamerican).

## **2.0 PURPOSE OF REPORT**

- 2.1 The purpose of this Eighteenth Report of the Monitor (the “**Eighteenth Report**”) is to provide the Court and the Company’s stakeholders with:
- a) an update on the Company’s operations since the last update which was provided in the Sixteenth Report of the Monitor dated September 1, 2017 (the “**Sixteenth Report**”); and
  - b) a comparison of actual cash receipts and disbursements for the period June 9, 2015 to June 8, 2018 to those forecast in the cash flow statement (the “**Tenth Cash Flow Statement**”) which was included in the Sixteenth Report.

## **3.0 TERMS OF REFERENCE**

- 3.1 Certain of the information referred to in this report consists of financial forecasts and/or projections. 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.

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

#### **4.0 UPDATE ON OPERATIONS AND RESTRUCTURING ACTIVITIES**

4.1 Since the date of the Sixteenth Report, the Company's primary care and maintenance operations have included:

- a) managing the Company's Cantung mine site;
- b) preserving and safeguarding the Company's mining equipment;
- c) attending to environmental and regulatory matters including regular reporting to the Mackenzie Valley Land and Water Board ("MVLWB"); and
- d) communicating with key stakeholders including Callidus Capital Corporation ("Callidus"), the Department of Indian Affairs and Northern Development ("DIAND") and representatives of affected First Nations communities.

##### **Management of the Cantung Mine Site**

4.2 The Company continues to retain twelve full time employees on alternating three week schedules whose activities include, among other things, performing regular inspections of site buildings, infrastructure and equipment and maintaining access to the mine site by way of the Nahanni Range Road, site roads and the airstrip.

##### **Equipment**

4.3 On September 27, 2017, NATC entered into an auction services agreement ("ASA") with a contractual joint venture comprised of Hilco Industrial Acquisitions Canada ULC, Gordon Brothers Canada ULC and A.M. King Industries, Inc. (collectively, the "Auctioneers") to sell certain equipment owned by NATC and subject to Callidus' security interest.

4.4 As at June 5, 2018, the Auctioneers have sold equipment pursuant to the ASA for net sales proceeds of approximately \$202,000.

4.5 The Company is continuing to safeguard the remaining mobile equipment and perform regular preventative maintenance on equipment being used for care and maintenance activities in accordance with the support agreement between Callidus and NATC, which has been extended until October 31, 2018.

## **Environmental and Regulatory Matters**

- 4.6 In May 2017, the Company engaged Tetra Tech Canada Inc. ("**Tetra Tech**") to perform environmental and geotechnical investigations of the Cantung mine site (the "**Phase III ESA**").
- 4.7 Tetra Tech has completed a site condition assessment and provided the Company with the results of its 2017 field work. The balance of the Phase III ESA will take place during the summer of 2018 and will include, among other things, further investigation of various environmental and geotechnical matters at the Cantung mine site and further development of site remediation options, all of which are scheduled to be completed by March 31, 2019.
- 4.8 The Company is continuing to submit regular reports to Environment and Climate Change Canada under the *Metal Mining Effluent Regulations and the Environmental Effects Monitoring Program* and to MVLWB as required under the Company's water licence.
- 4.9 The Company's Engagement Work Plan and Engagement Plan, as approved by the MVLWB, provides for engagement with various stakeholders including First Nations. In February, April and October 2017 and April 2018, the Company held meetings with communities and community working groups from six affected First Nations for the purpose of providing an overview of current care and maintenance activities at the Cantung mine site and planned future projects.

## **Stakeholder Communications**

- 4.10 The Company, represented by the Monitor, has maintained regular correspondence with Callidus with respect to the status of the ASA and related matters. The Company also continues to hold weekly conference calls with DIAND and prepare monthly reports to DIAND on the status of the care and maintenance activities and the Company's cash receipts and disbursements.

## **5.0 CASH FLOW VARIANCE ANALYSIS**

- 5.1 The Monitor manages the Company's cash flow and disbursements pursuant to the terms of the November 16, 2015 Order and constantly reviews the Company's actual cash flows in comparison to the estimates provided to this Honourable Court including those in the Tenth Cash Flow Statement. The Company's actual cash receipts and disbursements as compared to the Tenth Cash Flow Statement for the period from June 9, 2015 to June 8, 2018 are summarized below. The variance analysis reflects the cash flows for each of the two stages of the CCAA Proceedings: (i) cash flows from the Company's operations and financing activities, and (ii) cash flows from the Company's care and maintenance activities that have been funded by DIAND since November 25, 2015.

**North American Tungsten Corporation Ltd.**  
**Unaudited Summary of Actual Versus Forecast Cash Flows**  
**For the period June 9, 2015 to June 8, 2018**  
**(\$000's)**

	June 9, 2015 to June 8, 2018		
	Actual	Forecast	Variance
<b>Operations and Finance</b>			
<b>Cash Flow from Operations</b>			
Collection of accounts receivable and other receipts	\$ 20,940	\$ 20,738	\$ 202
Operating disbursements and mine site employee costs	(17,600)	(17,600)	-
Head office and corporate disbursements	(2,096)	(1,972)	(124)
Restructuring professional fees	(2,477)	(2,440)	(37)
Net cash flow from operations	(1,232)	(1,273)	41
<b>Net Cash Flow from Financing</b>			
Proceeds from interim financing	3,000	3,000	-
Proceeds from AR Financing Facility	-	-	-
Interim financing fees and interest	(280)	(280)	-
AR financing fees and interest	(30)	(30)	-
Principal and interest on existing Callidus loans	(1,668)	(1,668)	-
Repayment of interim financing	(319)	(319)	-
Net cash flow from financing	703	703	-
<b>Net Cash Flow from Operations and Finance</b>	<b>(529)</b>	<b>(570)</b>	<b>41</b>
<b>Cash Position - Operations</b>			
Opening Cash Position	626	626	-
<b>Closing Cash Position - Operations</b>	<b>\$ 97</b>	<b>\$ 56</b>	<b>\$ 41</b>
<b>Care and Maintenance</b>			
<b>Cash Flow from Care and Maintenance (C&amp;M)</b>			
Advances from DIAND	\$ 16,870	\$ 16,870	\$ -
GST refunds	435	460	(25)
Employee costs	(4,230)	(4,304)	74
Fuel	(2,435)	(2,142)	(293)
Insurance	(255)	(259)	4
Administration	(144)	(172)	28
Regulatory initiatives	(3,484)	(4,500)	1,016
Other operating disbursements	(2,098)	(2,256)	158
Professional fees	(2,554)	(2,732)	178
Net cash flow from care and maintenance	2,105	965	1,139
<b>Cash Position - (C&amp;M)</b>			
Opening Cash Position	-	-	-
<b>Closing Cash Position (C&amp;M)</b>	<b>\$ 2,105</b>	<b>\$ 965</b>	<b>\$ 1,139</b>
<b>Cash Position - Consolidated</b>	<b>\$ 2,201</b>	<b>\$ 1,021</b>	<b>\$ 1,180</b>

## **Operations and Finance**

- 5.2 Over the reported period, the Company realized a net favorable variance in cash flow from operations of \$41,000. The principal components of the variance are described below:
- a) collections of accounts receivable and other receipts were \$202,000 higher than forecast due to net proceeds received from the sale of equipment pursuant to the ASA;
  - b) head office and insurance disbursements were approximately \$124,000 higher than forecast due to additional insurance premium instalments payable during the period; and
  - c) restructuring professional fees were \$37,000 higher than forecast due to professional fees relating to the negotiation and administration of the ASA.
- 5.3 There was approximately \$97,000 of cash on hand in the Company's operating accounts as at June 8, 2018.

## **Care and Maintenance**

- 5.4 Over the reported period, the Company realized a net favourable cash flow variance of approximately \$1.1 million in respect of care and maintenance activities. The principal components of the variance are described below:
- a) GST refunds were \$25,000 lower than forecast due to a timing difference with respect to the collection of refunds;
  - b) employee costs were \$74,000 lower than forecast due to timing differences with respect to employee payroll;
  - c) fuel costs were \$293,000 higher than forecast due to increased fuel prices as well as a build-up in inventory in advance of anticipated increased travel restrictions on the access road to the Cantung mine site;
  - d) insurance costs were \$4,000 lower than forecast due to favorable policy renewal terms and reduced insured values of equipment;
  - e) administration costs were \$28,000 lower than forecast due to timing differences and lower costs than anticipated;
  - f) regulatory initiatives were \$1.0 million lower than forecast primarily due to timing differences with respect to payment of Tetra Tech invoices relating to the Phase III ESA and other regulatory matters;
  - g) other operating disbursements were \$158,000 lower than forecast due to operational efficiencies; and


h) professional fees were \$178,000 lower than forecast due to timing differences with respect to payment of the Monitor's fees and disbursements.


5.5 There was approximately \$2.1 million of cash on hand in the Company's care and maintenance accounts as at June 8, 2018 which is the result of advances received from DIAND to fund future care and maintenance costs including various accrued liabilities and contractual obligations of the Company.

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All of which is respectfully submitted to this Honourable Court this 15<sup>th</sup> day of June, 2018.

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

Per:   
Todd Martin  
Senior Vice President

Per:   
Tom Powell  
Vice President