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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.

FOURTEENTH REPORT OF THE MONITOR

ALVAREZ & MARSAL CANADA INC.

DECEMBER 16, 2016

ALVAREZ & MARSAL

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, 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 (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 subsequent orders of the Court, the most recent granted on September 12, 2016, the Stay Period has been extended through until October 27, 2017.

1.3 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.

1.4 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.

1.5 On November 16, 2015, the Court granted an order (the "**Redundant Equipment Order**") lifting the Stay of Proceedings so as to permit the return of certain leased equipment that was no longer required for the Company's care and maintenance operations at the Cantung mine (the "**Redundant Equipment**") to the applicable equipment lenders having first-ranking charges in such equipment (the "**Equipment Financiers**") on conditions which included payment to the Monitor, in trust, of amounts (the "**Allocation Amounts**") equal to each Lessor's *pro rata* portion of the outstanding charges created by Court order in the CCAA Proceedings (the "**CCAA Charges**") based on the appraised values of the Redundant Equipment.

1.6 All of the Redundant Equipment has now been released to the Equipment Financiers, which collectively paid Allocation Amounts totalling $489,000. Those funds continue to be held in trust by the Monitor.

1.7 On November 17, 2015, the Court granted an order (the "**Mactung Sale Approval Order**") which, among other things, included the following:

a) approved the sale of the Company's Mactung property to the Government of the Northwest Territories ("**GNWT**"), in part by way of offset of a portion of the secured debt owing to GNWT by NATC (the "**Mactung Credit Bid**") pursuant to an asset purchase agreement (the "**Mactung APA**");

b) ordered GNWT to pay in full at closing of the Mactung APA any CCAA Charges then outstanding (the "**Charges Payment**");

c) created a charge (the "**Allocation Charge**") over the Company's property other than the Mactung assets (the "**Cantung Property**") as security for payment to GNWT of any part of the CCAA Charges ultimately allocated against the Cantung Property;

d) ordered that GNWT is entitled to charge interest in respect of the Charges Payment at the rate of 6.85% per annum from the date the Charges Payment is made until GNWT is paid in full the amount of the Charges Payment allocated against the Cantung Property; and

e) directed the Monitor to prepare a methodology concerning the allocation of the CCAA Charges among the assets of NATC (the "**Allocation Methodology**").

1.8 At the time of closing of the Mactung APA, the only outstanding CCAA Charge was the Interim Lender's Charge (as defined in the Amended and Restated Initial Order of the Court granted on July 9, 2015) in favour of Callidus Capital Corporation ("**Callidus**"), which secured repayment of the interim loan facility (the "**Interim Facility**") made available to the Company by Callidus. GNWT issued a payment to Callidus in the amount of $2.5 million plus $58,000 of accrued interest and fees to pay the Interim Lender's Charge in full. Accordingly, the Allocation Methodology concerns only the allocation of the amount paid by GNWT in satisfaction of the Interim Lender's Charge.

2.0 PURPOSE OF REPORT

2.1 This Fourteenth Report of the Monitor (the "**Fourteenth Report**") is a special purpose report intended to provide the Court and the Company's stakeholders with:

a) an explanation of the Allocation Methodology proposed by the Monitor;

b) a summary of the allocation of the Interim Lender's Charge among the stakeholders based on the Allocation Methodology; and

c) information with respect to the distribution of certain funds in the possession of the Monitor arising from the Company's operations prior to the transition of the Cantung mine to care and maintenance (the "**Pre-Transition Funds**").

2.2 This Fourteenth Report is filed in support of an application by the Monitor for the following orders:

a) approving the Allocation Methodology;

b) authorizing and directing the Monitor to pay GNWT from the Allocation Amounts held in trust by the Monitor such amounts as are identified as payable in the Allocation Methodology plus interest accrued thereon (such amounts are referred to hereafter as the "**Final Allocation Amounts**");

c) authorizing and directing the Monitor to repay to each Lessor the Allocation Amount paid by such Lessor less their Final Allocation Amount;

d) ordering Caterpillar Financial Services Ltd. ("**CFS**") to pay their Final Allocation Amount as identified in the Allocation Methodology plus interest thereon to GNWT;

e) authorizing the Monitor to retain for the benefit of the Company all funds paid to it by Equipment Financiers in respect of their share of insurance premiums less earned premium refunds which will be returned to the applicable Lessor;

f) discharging the Administration Charge (as defined in the July 9, 2015 Order of this Court) and the Allocation Charge (as defined in the Mactung Sale Approval Order); and

g) authorizing the Monitor to pay the funds held in its operating accounts (the "**Pre-Transition Funds**") to or as directed by Callidus.

3.0 TERMS OF REFERENCE

3.1 In preparing this report, A&M has necessarily relied upon unaudited financial and other information. Although this information has been subject to review, A&M has not conducted an audit or otherwise attempted to verify the information's accuracy or completeness. 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 Unless otherwise stated, all monetary amounts contained in this Fourteenth Report are expressed in Canadian dollars.

4.0 ALLOCATION METHODOLOGY

4.1 The stakeholders with a financial interest in the Allocation Methodology are limited to the following (collectively, the "**Financial Stakeholders**"):

a) GNWT, which, prior to the closing of the Mactung APA, had a first-ranking security interest in the Mactung assets and, by virtue of the Allocation Charge, has a first-ranking interest in the Cantung Property;

b) Callidus, which has a security interest in the Cantung mine and the majority of the related assets and equipment ranking in priority behind only the CCAA Charges and the Allocation Charge; and

c) the Equipment Financiers, which had first-ranking security interests in their respective collateral.

4.2 Creditors having security interests subordinate to those referenced above, including Global Tungsten & Powders Corp. ("**GTP**"), Wolfram Bergbau und Hutton AG, debentureholders and Queenwood Capital Partners II ULC, would not recover any amounts in respect of their claims, irrespective of which allocation methodology is applied.

4.3 In preparing the Allocation Methodology, the Monitor, in consultation with its legal counsel, considered various authorities concerning the allocation of court-ordered charges, including the Ontario Superior Court of Justice decision in *Royal Bank of Canada v. Atlas Block Co. Limited*, 2014 ONSC 1531, which includes the following principles for determining an appropriate allocation methodology in an insolvency matter:

a) the allocation of such costs must be done on a case by case basis;
b) costs should be allocated in a fair and equitable manner, one which does not readjust the priorities between creditors, and one which does not ignore the benefit or detriment to any creditor;
c) a strict accounting is neither necessary nor desirable in all cases;
d) a creditor need not benefit "directly" before costs can be allocated to that creditor; an indirect benefit can be enough; and
e) an allocation does not require a strict cost-benefit analysis or that the costs be borne equally or on a *pro rata* basis.

4.4 Prior to undertaking its preparation of the Allocation Methodology, the Monitor invited both GNWT and Callidus to provide written submissions setting out their respective positions on a confidential basis.

4.5 In preparing the Allocation Methodology, the Monitor considered the submissions of both Callidus and GNWT as well as alternative methodologies for allocating the Interim Lender's Charge, including by allocating the charge based on the net realization values of the charged assets.

4.6 After considering various allocation methodologies in relation to the circumstances of the present case, the Monitor determined that it was appropriate to allocate the Interim Lender's Charge against the Financial Stakeholders' assets based on the nature of the net costs giving rise to the charge. Specifically, the Allocation Methodology is premised on the source and uses of the funding secured by the Interim Lender's Charge, and allocates both cash inflows and outflows among the Financial Stakeholders.

4.7 The principles underlying the Allocation Methodology include the following:

a) The methodology concerns only the Company's cash receipts and disbursements for the period from the commencement of these proceedings on June 9, 2015 and ending on December 31, 2015 (the "**Restructuring Period**"), by which time the Mactung Credit Bid had closed and the Company had fully transitioned the Cantung mine to care and maintenance.

b) The amounts which were secured by the Interim Lender's Charge have been allocated among the Financial Stakeholders based on which stakeholder(s) benefited from various costs incurred during the Restructuring Period, and which contributed so as to fund those costs during that period.

c) Because certain of the costs incurred by the Company, including administrative expenses, corporate overhead and certain restructuring costs, are general in nature, it is only possible to estimate the portion of such costs that should be allocated to each Financial Stakeholder.

d) The amount allocated to each of the Equipment Financiers is based on the relative appraised forced liquidation values of each of the Equipment Financiers' collateral using the values contained in an appraisal prepared by Hilco Global for Callidus in May 2015 (the "**Appraisal**"). As alluded to in paragraph 8.5 of the Monitor's Thirteenth Report to the Court dated September 1, 2016, in preparing the Allocation Methodology, the liquidation value attributed to the Finning R1700G Scoop Tram was reduced by USD $220,000, being the estimated damage to that equipment caused by a cave-in that occurred in July 2015, which was not taken into account when the original Allocation Amounts were calculated by the Monitor.

4.8 The Monitor is of the view that the Allocation Methodology is fair and appropriate for a number of reasons, including:

a) consideration is given to which Financial Stakeholder contributed to any receipts or benefited from any disbursements, including the impact of various financing transactions, including the "gap advance" and "roll-up" of pre-filing debt under the Interim Facility;

b) consideration is given to the contributions of pre-filing accounts receivable, inventory stockpiles and other working capital assets that resulted in net receipts used to fund the proceedings;

c) all Financial Stakeholders are allocated a portion of general and corporate costs consistent with their respective standing and involvement in the CCAA Proceedings;

d) the issue of uncertainty concerning the realization value of Callidus' collateral (which will not likely be known for a considerable amount of time) is avoided; and

e) costs that were for the sole benefit of one Financial Stakeholder are not borne by the Financial Stakeholders.

4.9 The Monitor provided a copy of the Allocation Methodology to each of the Financial Stakeholders during the week ended December 2, 2016. Callidus and GNWT have each advised the Monitor that they have arrived at an agreement regarding the allocation of the Interim Lender's Charge as between themselves. The details of that agreement are not known to the Monitor, however it is the Monitor's understanding that a payment will be made by Callidus to GNWT which, together with the payment of the Final Allocation Amounts as provided for in the Allocation Methodology, will satisfy the Allocation Charge.

4.10 The Equipment Financiers have either advised the Monitor that they accept the Allocation Methodology or have not advised that they have any concerns with it.

5.0 SUMMARY OF ALLOCATION OF THE INTERIM LENDER'S CHARGE

5.1 The detailed allocation of the Interim Lender's Charge based on the Allocation Methodology is attached as Appendix "**A**" and is summarized below:

North American Tungsten Corporation Ltd.
Allocation of the Interim Financing Charge
($000s)

Cost Category	Sources and Uses of Cash	Allocation to Callidus	Allocation to Equipment Financiers	Allocation to GNWT
Operations	$ 2,080	$ 2,381	$ -	$ (301)
Transition to care and maintenance	(420)	(294)	(42)	(84)
Professional fees	(2,392)	(1,485)	(169)	(738)
Financing	1,022	1,022	-	-
Other	(2,848)	(2,793)	-	(55)
Total Interim Financing Charge	$ (2,558)	$ (1,169)	$ (211)	$ (1,178)
Allocation percentage	*100.0%*	*45.7%*	*8.3%*	*46.0%*

5.2 As noted above, under the Allocation Methodology, the Final Allocation Amount for each of the Equipment Financiers was calculated based on the relative forced liquidation value of each of the Equipment Financiers' collateral using the values contained in the Appraisal. The Final

Allocation Amount for each Lessor and the corresponding net payment or refund owing are summarized as follows:

North American Tungsten Corporation Ltd.
Allocation of the Interim Lender's Charge to Equipment Financiers
($000s)

Lessor	Pieces (#)	Percentage of Appraised Value	Interim Financing Charge Allocation	Allocation Including Estimated Interest	Allocation Amount Paid	Net Refund/ (Payment)
Amalgamated Mining Inc.	1	40%	$ 85	$ 90	$ 164	$ 73
Finning International Inc.	3	52%	109	117	313	196
Kubota Canada Ltd.	3	2%	4	4	8	3
RCAP Leasing Inc.	2	1%	3	3	5	2
Caterpillar Financial Services Ltd.	1	5%	11	12	-	(12)
Total	10	100%	$ 211	$ 226	$ 489	$ 263

5.3 Equipment Financiers whose Final Allocation Amount is less than the Allocation Amount they paid to the Monitor will receive refunds totaling approximately $275,000 from the Allocation Amounts held in trust by the Monitor. The Monitor will distribute the remainder of the Allocation Amounts to GNWT in partial satisfaction of the Allocation Charge.

5.4 CFS did not pay an Allocation Amount to the Monitor as their equipment has continued to be used by the Company for care and maintenance activities. Accordingly, in order to satisfy its share of the Allocation Charge in accordance with the Allocation Methodology, CFS would have to pay approximately $12,000 to GNWT.

6.0 DISTRIBUTION OF PRE-TRANSITION FUNDS

6.1 The Monitor does not expect that the Company will incur further operating expenses or financing costs with the exception of disbursements in respect of the Company's care and maintenance activities and the administration of the CCAA Proceedings, all of which is currently being funded by the Department of Indian Affairs and Northern Development.

6.2 A summary of the Company's cash receipts and disbursements from operations and financing activities for the period from June 9, 2015 to December 12, 2016, excluding those costs related to care and maintenance activities, are summarized below.

North American Tungsten Corporation Ltd. Interim Statement of Cash Receipts and Disbursements For the period June 9, 2015 to December 9, 2016 ($000s)		
		June 9, 2015 to December 9, 2016
Cash Flow from Operations		
Collection of accounts receivable and other receipts	$	20,716
Operating disbursements and mine site employee costs		(17,578)
Head office and corporate disbursements		(1,807)
Restructuring professional fees		(2,405)
Net cash flow from operations		(1,075)
Net Cash Flow from Financing		
Proceeds from interim financing		3,000
Interim financing fees and interest		(280)
AR financing fees and interest		(30)
Principal and interest on existing Callidus loans		(1,668)
Net cash flow from financing		1,022
Net Cash Flow		(53)
Cash Position		
Opening Cash Position		626
Closing Cash Position	$	573

6.3 As at December 9, 2016, the Company has approximately $573,000 of Pre-Transition Funds on hand. The order sought by the Monitor authorizes the Monitor to retain an additional $18,000 of insurance premiums paid by the Equipment Financiers to the Monitor on account of insurance premiums incurred by the Company in insuring the Equipment Financiers' equipment. The Monitor is also expecting to receive a cost award from GTP in the amount of $16,000 on December 16, 2016. Including those amounts, the total Pre-Transition Funds held by the Monitor will be $607,000.

6.4 Upon the satisfaction of the Allocation Charge and the payment of the outstanding professional fees secured by the Second Administration Charge (as defined in the Mactung Sale Approval Order) and as no claims have been made under the D&O Charge (as defined in the Initial Order), Callidus will have the first-ranking security interest in the Pre-Transition Funds.

6.5 Should this Honourable Court grant the Allocation Methodology Approval Order, the Monitor proposes to disburse the Pre-Transition Funds as follows:

a) payment of $25,000, being the portion of the professional fees incurred in relation to the Monitor's preparation of the Allocation Methodology that Callidus agreed to fund;

b) payment of approximately $236,000 for insurance premiums in respect of the equipment comprising Callidus' collateral for the policy term from December 1, 2016 to November 30, 2017;

c) a holdback for payment of outstanding pre-transition claims, if any should arise, of $25,000; and

d) a distribution to Callidus of the remaining approximately $321,000.

7.0 MONITOR'S CONCLUSION AND RECOMMENDATION

7.1 The Monitor is of the view that the Allocation Methodology is a fair, practical and appropriate method of allocating the Interim Lender's Charge among the Financial Stakeholders and takes into consideration the respective positions of those creditors and the facts and circumstances specific to these CCAA Proceedings and the use of and benefits derived from the funds advanced under the Interim Facility. Accordingly, the Monitor respectfully recommends that this Honourable Court grant the orders sought by the Monitor, including the approval of the Allocation Methodology.

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All of which is respectfully submitted to this Honourable Court this 16th day of December, 2016.

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

Per: Todd Martin
Senior Vice President

Per: Tom Powell
Senior Director

North American Tungsten Corporation Ltd.
Interim Financing Charge Allocation Methodology (Note 1)
For the period June 9, 2015 to December 31, 2015
($000s)

	Sources and Uses of Cash	Allocation to Callidus	Allocation to Equipment Financiers	Allocation to GNWT	Allocation to Callidus (%)	Allocation to Equipment Financiers (%)	Allocation to GNWT (%)	Notes
Operations								
Collection of accounts receivable	$ 19,664	$ 19,664	$ -	$ -	100%	0%	0%	(2)
Other receipts	1,014	1,014	-	-	100%	0%	0%	
Employee costs - mine site (June 9 to November 17)	(8,452)	(8,452)	-	-	100%	0%	0%	
Cantung operating disbursements (June 9 to November 17)	(8,588)	(8,588)	-	-	100%	0%	0%	
Reclamation costs	(55)	(55)	-	-	100%	0%	0%	
Employee costs - head office	(549)	(439)	-	(110)	80%	0%	20%	(3)
Head office disbursements and insurance	(954)	(763)	-	(191)	80%	0%	20%	(3)
Total cash flow from operations	2,080	2,381	-	(301)				
Transition to Care and Maintenance								
Employee costs - mine site (November 18 - December 31)	(281)	(197)	(28)	(56)	70%	10%	20%	(4)
Cantung operating disbursements (November 18 - December 31)	(139)	(97)	(14)	(28)	70%	10%	20%	(4)
Total cash flow from transition to care and maintenance	(420)	(294)	(42)	(84)				
Professional Fees								
Professional fees - general restructuring (net of applied retainers)	(1,694)	(1,185)	(169)	(339)	70%	10%	20%	(3)
Professional fees - SISP	(598)	(299)	-	(299)	50%	0%	50%	(5)
Professional fees - sale of Mactung	(52)	-	-	(52)	0%	0%	100%	
Professional fees - meetings among the Monitor, NATC, GNWT and Canada	(48)	-	-	(48)	0%	0%	100%	
Total cash flow from professional fees	(2,392)	(1,485)	(169)	(738)				
Cash flow from financing								
Callidus Gap Advance	500	500	-	-	100%	0%	0%	
Proceeds from Interim Financing Facility	2,500	2,500	-	-	100%	0%	0%	
Net proceeds from AR Financing Facility	8	8	-	-	100%	0%	0%	
Principal and interest on existing Callidus loans	(1,668)	(1,668)	-	-	100%	0%	0%	
Interim financing fees and interest	(280)	(280)	-	-	100%	0%	0%	
AR financing fees and interest	(38)	(38)	-	-	100%	0%	0%	
Total cash flow from financing (excluding DIP proceeds)	1,022	1,022	-	-				
Other								
Development costs - Mactung	(55)	-	-	(55)	0%	0%	100%	
Insurance for the year ending November 30, 2016	(104)	(104)	-	-	100%	0%	0%	
Increase in Cash Security	(131)	(131)	-	-	100%	0%	0%	
Repayment of Interim Financing Facility	(2,500)	(2,500)	-	-	100%	0%	0%	
Interest paid directly by GNWT	(58)	(58)	-	-	100%	0%	0%	
	(2,848)	(2,793)	-	(55)				
Total Interim Financing Charge Allocation	$ (2,558)	$ (1,169)	$ (211)	$ (1,178)				(6)

Notes:

(1) The Allocation Methodology provides for the allocation of the individual components giving rise to the Interim Financing Charge to the collateral of each of the company's major secured creditor constituencies based on the contributor and/or beneficiary of each transaction.

(2) Total collections of accounts receivable include approximately $850,000 of pre-filing accounts receivable collected after commencement of the CCAA Proceedings.

(3) 20% of head office costs, corporate costs and general restructuring fees have been allocated to Government of the Northwest Territories ("GNWT") as these costs were incurred in respect of corporate governance, management and administration of the company during the Companies' Creditors Arrangement Act proceedings, oversight, support of the Sales and Investment Solicitation Process, transition of the mine to care and maintenance and attending to environmental matters, thereby mitigating the reclamation obligations of GNWT and effecting a transaction to sell Mactung.

(4) Mine site employee costs and other operating costs are the actual costs that were incurred to transition the mine to care and maintenance which commenced on or around November 18, 2015. Transition costs related to both the winterization and storage of equipment and shuttering and safeguarding of the Cantung mine and have been allocated 70% to Callidus, 10% to the Lessors and 20% to GNWT.

(5) 50% of the professional fees associated with SISP were allocated to each of Callidus Capital Corporation and GNWT.

(6) The allocation to the Equipment Financiers has been attributed to individual Lessors based on the appraised values of the respective collateral as summarized in the attached Schedule "A".

Schedule A

Interim Financing Charge Allocation Methodology (Note 1)
Equipment Financier Interim Financing Charge Allocation
December 12, 2016
($000s)

Lessor	Pieces (#)	Appraised Value (US$000s)	Percentage of Total Value	Interim Financing Charge Allocation (Note 1)	Interim Financing Charge Allocation Including Interest (Note 2)	Allocation Amount Paid (Note 3)	Net Refund/ (Payment)
Amalgamated Mining Inc.	1	$ 880	40%	$ 85	$ 90	$ 164	$ 73
Finning International Inc. (Note 4)	3	1,135	52%	109	117	313	196
Kubota Canada Ltd.	3	41	2%	4	4	8	3
RCAP Leasing Inc.	2	26	1%	3	3	5	2
Caterpillar Financial Services Ltd.	1	115	5%	11	12	-	(12)
Total	10	$ 2,197	100%	$ 211	$ 226	$ 489	$ 263

Notes:

(1) The Interim Financing Charge Allocation has been allocated to Equipment Financiers based on the estimated net realization value of each secured lender's collateral. The estimated net realization values are based on the values contained in an appraisal prepared by Hilco Global in May 2015.

(2) Interest accrues on amounts payable in respect of the Interim Financing Charge at 6.85% per year.

(3) The Monitor is currently holding approximately $489,000 in trust to secure the the Interim Financing Charge Allocation to certain Equipment Financiers that have retrieved their collateral from the Company. If an Allocation Amount held in trust is greater than the Interim Financing Charge Allocation to an Equipment Financier, the surplus will returned to that Equipment Financier.

(4) The appraised value attributed to a Caterpillar R1700G Scooptram leased by Finning International Inc. has been adjusted down by US$220,000 to reflect significant damage to the unit caused by an accident that occurred in July 2015.