



NO. S-226670
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 *BUSINESS CORPORATIONS ACT*,
S.B.C. 2002, c. 57, AS AMENDED AND THE *BUSINESS CORPORATIONS ACT*,
S.N.B. 1981, c. B-9.1, AS AMENDED

AND

IN THE MATTER OF A PLAN OF COMPROMISE AND ARRANGEMENT OF TREVALI
MINING CORPORATION AND TREVALI MINING (NEW BRUNSWICK) LTD.

PETITIONERS

REQUISITION – GENERAL

Filed by: FTI Consulting Canada Inc., in its capacity as court-appointed monitor of Trevali Mining Corporation and Trevali Mining (New Brunswick) Ltd. (in that capacity, the “**Monitor**”)

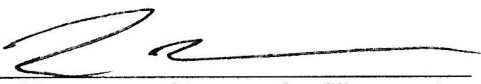
Required:

1. To file the Seventh Report of the Monitor dated January 8, 2023 (the “**Seventh Report**”).

This Requisition is supported by the following:

1. The Seventh Report will be provided to Madam Justice Fitzpatrick, who is seized of this matter, however, it must still be filed with the Court.
2. The Monitor is required to provide a filed copy of the Seventh Report to the parties in this proceeding and to post a filed copy on the Monitor’s website.

Date: 09/JAN/2023


Signature of lawyer for filing party
Eamonn Watson

THIS REQUISITION – GENERAL is prepared and filed by the law firm, Dentons Canada LLP, 20th Floor, 250 Howe Street, Vancouver, B.C. V6C 3R8, Attention: John Sandrelli / Valerie Cross (Telephone number: 604-687-4460) | Email: john.sandrelli@dentons.com

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Vancouver Registry

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SEVENTH REPORT OF THE MONITOR

JANUARY 8, 2023

SEVENTH REPORT OF THE MONITOR

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INTRODUCTION

1. On August 19, 2022 (the “**Filing Date**”), Trevali Mining Corporation (“**Trevali Corp.**”) and Trevali Mining (New Brunswick) Ltd. (“**Trevali NB**” and collectively, “**Trevali**” or the “**Applicants**”) commenced proceedings (the “**CCAA Proceedings**”) under the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”) pursuant to an order granted by this Honourable Court which was subsequently amended and restated on August 29, 2022 (the “**ARIO**”).
2. The ARIO appointed FTI Consulting Canada Inc. (“**FTI**”) as Monitor in the CCAA Proceedings (the “**Monitor**”) and established a stay of proceedings (the “**Stay of Proceedings**”) in favour of the Applicants until October 6, 2022. The Stay of Proceedings has since been extended until and including: January 31, 2023 in respect of Trevali Corp., and January 10, 2023 in respect of Trevali NB.
3. On September 14, 2022, this Honourable Court granted the following orders:
 - a. an order approving procedures for a sales and investment solicitation process (the “**SISP**”) and a sales agent agreement between Trevali Corp. and National Bank Financial Inc. (the “**Sales Agent**”) and granting a charge to secure the Sales Agent’s fees; and
 - b. an order approving a key employee retention plan (the “**KERP**”) and granting a charge over the Applicants’ property in favour of the KERP employees as security for the amounts payable under the KERP in the amount of US\$800,000 (the “**KERP Charge**”).
4. On October 12, 2022, this Honourable Court granted the following orders:
 - a. an order authorizing and empowering Trevali Corp. to obtain and borrow an interim financing tranche (the “**Interim Financing Tranche**”) agreed amongst Trevali Corp., the RCF Lenders, as defined in the First Report of the Monitor,

dated August 26, 2022, and the administrative agent for the RCF Lenders, Bank of Nova Scotia (the “**RCF Administrative Agent**”), and granting a charge in favour of the RCF Administrative Agent, on behalf of the RCF Lenders, to secure obligations in connection with the Interim Financing Tranche (the “**Interim Lenders’ Charge**”); and

- b. an order authorizing and approving a settlement agreement between the Applicants, the RCF Lenders and Glencore AG and its affiliates (collectively, “**Glencore**”) resolving the issues which arose in response to Glencore declining to advise whether they will assert a right of set-off against amounts owing by them for delivery under off-take agreements with the Applicants and certain affiliated entities.
5. On December 21, 2022, in connection with the SISP and relating to the Rosh Pinah Mine, this Honourable Court granted orders, among other things, approving Trevali Corp.’s execution of a *Share and Asset Purchase Agreement* dated December 15, 2022 between Trevali Corp., as vendor, and Appian Natural Resources Fund III LP and Appian Natural Resources (UST) Fund III LP, as purchasers.
 6. On January 3, 2023, His Majesty the King in Right of the Province of New Brunswick (“**PNB**”), as represented by the Department of Natural Resources and Energy Development (“**DNRED**”) served a Notice of Application for an order (the “**Trevali NB Stay Extension Order**”) providing that, among other things:
 - a. the Stay of Proceedings in respect of Trevali NB be extended until January 24, 2023 (the “**Stay Extension**”);
 - b. DNRED shall rent the equipment currently owned or leased by Trevali NB (the “**Equipment**”) from Trevali NB for the sum of US \$198,000 (the “**Rental Payment**”), provided that:

- i. the rental term (“**Rental Term**”) shall be from January 9, 2023 until March 31, 2023;
 - ii. DNRED’s right to use the Equipment shall be binding on any trustee in bankruptcy, liquidator or receiver that may be appointed in respect of Trevali NB or its property, business or undertakings; and
 - iii. nothing in the order shall be interpreted to detract from the powers, responsibilities and authority of the Minister or PNB as regulator under applicable law, including but not limited to any applicable Environmental Legislation (as defined in the ARIO).
7. On January 4, 2023, Glencore and the Bank of Nova Scotia, as administrative agent for the RCF Lenders (collectively, the “**Secured Lenders**”), served a Notice of Application for an order (the “**Receivership Order**”) appointing FTI as receiver of all property, assets and undertakings of Trevali NB, except all real property, mineral claims, mining leases or real property leases owned or held by Trevali NB (collectively, the “**Property**”).

PURPOSE

8. The purpose of this Seventh Report is to provide this Honourable Court and the Applicants’ stakeholders with information with respect to:
 - a. the status of Trevali NB;
 - b. an updated cash flow statement for the 4-week period ending January 31, 2023 (the “**Forecast Period**”) with respect to Trevali NB (the “**Trevali NB Cash Flow Statement**”) as well as the key assumptions on which the Trevali NB Cash Flow Statement is based;
 - c. DNRED’s application for the Trevali NB Stay Extension Order;

- d. the Secured Lenders' application for the Receivership Order; and
- e. the Monitor's conclusions and recommendations.

TERMS OF REFERENCE

- 9. In preparing this report, the Monitor has relied upon certain information (the **"Information"**) including the Applicants' unaudited financial information, books and records and discussions with senior management (**"Management"**).
- 10. Except as described in this report, the Monitor has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would comply with Generally Accepted Assurance Standards pursuant to the Chartered Professional Accountants of Canada Handbook.
- 11. The Monitor has not examined or reviewed financial forecasts and projections referred to in this report in a manner that would comply with the procedures described in the Chartered Professional Accountants of Canada Handbook.
- 12. Future-oriented financial information reported to be relied on in preparing this report is based on Management's assumptions regarding future events. Actual results may vary from forecast and such variations may be material.
- 13. Unless otherwise stated, all monetary amounts contained herein are expressed in United States dollars to be consistent with the Applicants' primary reporting currency.
- 14. Capitalized terms not otherwise defined herein are as defined in the First Report of the Monitor in these CCAA Proceedings dated August 26, 2022.

UPDATE ON TREVALI NB

15. As described in Affidavit #8 of Brendan Creaney, made December 9, 2022, the SISP did not generate any bids for the Caribou mine assets prior to the LOI Deadline (as defined in the SISP), of October 7, 2022.
16. As reflected in the Fifth Report of the Monitor in these CCAA Proceedings dated December 12, 2022, the Applicants, with the assistance of the Monitor, have had discussions with the Secured Lenders and PNB to consider next steps with respect to the Caribou mine including the possibility of continuing the CCAA Proceedings with respect to Trevali NB with the Monitor being granted enhanced powers and DNRED providing interim funding for the term of the extension.
17. As matters evolved, it became clear that PNB was looking for a shorter extension period for the CCAA Proceedings and in those circumstances the Monitor reached the conclusion that it would be inefficient and impractical to transition control of Trevali NB to an enhanced Monitor for such a limited period.
18. As a result of those developments, the Secured Lenders and PNB have discussed the terms on which the Secured Lenders would support a short extension to the Stay of Proceedings in respect of Trevali NB in order to allow PNB to conduct further planning prior to assuming responsibility for the mine sites and avoid an interruption in care and maintenance activities or environmental and regulatory compliance. Those discussions have primarily focused on the use of the equipment collateral located at the Caribou mine during the term of such an extension and other issues.
19. Although PNB and the Secured Lenders made significant progress towards consensually agreeing to the terms on which an extension would be supported, they were unable to agree to definitive terms by the filing deadline for the Court hearing scheduled for January 9, 2023 in these CCAA Proceedings. Those circumstances resulted in DNRED and the Secured Lenders filing competing applications for the Trevali NB Stay Extension Order and the Receivership Order.

20. On January 6, 2023, the Monitor was advised by DNRED and the Secured Lenders that they have agreed to terms, including revised rental terms, on which the Secured Lenders would support the Stay Extension and DNRED would support the application for the Receivership Order with an effective date of January 24, 2023. In this regard, both the Trevali NB Stay Extension Order and the Receivership Order sought by DNRED and the Secured Lenders, respectively, have been revised from the forms of order provided with each Notice of Application. These revisions have been reviewed by the Monitor and the Monitor is respectfully of the view that these orders are appropriate in the circumstances.
21. The Secured Lenders have been accommodating with respect to the Applicants' environmental and regulatory responsibilities during the course of the CCAA Proceedings, including through supporting the use of cash collateral and Equipment subject to the Secured Lenders' security, while PNB pursued interim financing for a transition of those responsibilities to PNB.
22. Given the SISP did not generate any bids for the Caribou mine assets, in those circumstances a receivership in respect of Trevali NB's cash and Equipment is a reasonable means for the Secured Lenders to realize on the Secured Lenders' collateral. It is not apparent to the Monitor that any other path to realization is possible in the CCAA Proceedings, in light of the limited cash position of Trevali NB (discussed below), that would realistically produce better recovery for stakeholders.
23. In addition, the Receivership Order is supported by both Trevali and DNRED, a significant stakeholder of Trevali NB, as part of a strategy that balances the interests of DNRED and the Secured Lenders.
24. The Monitor is respectfully of the view that a receivership is appropriate in the circumstances and the Receivership Order should be granted with an effective date of January 24, 2023, at the expiry of the Stay of Proceedings.

TREVALI NB CASH FLOW STATEMENT

25. Management, in conjunction with the Monitor, has prepared the Trevali NB Cash Flow Statement setting out the liquidity requirements and cash position of Trevali NB during the Forecast Period.

26. A summary of the Trevali NB Cash Flow Statement is set out in the below table:

Trevali NB Cash Flow Statement For the 24-week period ending January 31, 2023 (USDS thousands)	Weeks 1 - 20 3-Jan-23 Actual	Week 21 10-Jan-23 Forecast	Week 22 17-Jan-23 Forecast	Week 23 24-Jan-23 Forecast	Week 24 31-Jan-23 Forecast	Weeks 1-24 31-Jan-23 Total
Operating Receipts						
Sales	-	-	-	-	-	-
Other Receipts	22	-	198	-	-	220
Total Receipts	22	-	198	-	-	220
Operating Disbursements						
Payroll and Benefits	1,103	191	-	39	-	1,334
Trade Accounts Payable	942	78	19	33	36	1,108
Utilities	490	53	26	26	26	620
Operating Leases	31	-	-	1	-	32
Insurance	6	-	-	1	-	7
Other Operating Disbursements	36	20	22	22	22	120
Total Operating Disbursements	2,608	342	66	123	83	3,222
Net Change in Cash from Operations	(2,586)	(342)	132	(123)	(83)	(3,002)
Effect of Foreign Exchange Translation	(52)	-	-	-	-	(52)
Net Change in Cash	(2,638)	(342)	132	(123)	(83)	(3,054)
Opening Cash	3,247	609	267	398	276	3,247
Ending Cash	609	267	398	276	193	193

27. The Trevali NB Cash Flow Statement is based on the following key assumptions:

- a. it is assumed that the Stay Extension sought by DNRED is granted and that the mine site and Property remain in the possession of Trevali NB until January 24, 2023;
- b. Other Receipts of \$198,000 are assumed to include the Rental Payment provided for under the Trevali NB Stay Extension Order;

- c. Payroll and Benefits are assumed to include the local management and employees of Trevali NB required to support the on-going care and maintenance of Trevali NB and a disbursement of \$125,000 during the week ending January 10, 2023 to fund a trust account in support of statutory severance amounts and the KERP entitlements of certain Trevali NB employees. The severance amounts are authorized to be paid pursuant to the ARIO, represent potential Director and/or Officer liabilities in New Brunswick and therefore benefit from the D&O Charge provided for in the ARIO and the KERP entitlements are secured by the KERP Charge; and
- d. Utilities and Other Operating Expenses are assumed to be consistent with current run rates and remain current during the Forecast Period.

TREVALI NB STAY EXTENSION ORDER

28. The Monitor's comments with respect to DNRED's application for the Trevali NB Stay Extension Order are as follows:
- a. the Stay Extension and Rental Payment permit for the on-going care and maintenance of the mine sites where Trevali NB holds mining leases, and related assets while ensuring continued compliance with Trevali NB's environmental and regulatory requirements;
 - b. the Trevali NB Cash Flow Statement forecasts that Trevali NB has sufficient liquidity to fund care and maintenance expenses in respect of the Caribou mine during the period of the Stay Extension;
 - c. the Rental Payment is approximately equivalent to the forecast disbursements to be incurred by Trevali NB during the period of the Stay Extension;

- d. the Rental Term will provide DNRED with sufficient time to determine which, if any, of the Equipment it may wish to purchase or lease from Trevali NB for use in its on-going care and maintenance or reclamation activities;
- e. DNRED's right to use the equipment for the Rental Term will be preserved in the event of a receivership in respect of the Property following the expiry of the Stay of Proceedings;
- f. given the nature of the property involved, the Stay Extension will allow for an orderly transition of care and maintenance activities to PNB and avoid operational disruptions that may result from a more expedited transition; and
- g. the Applicants, including Trevali NB, have been in regular communication with the Monitor throughout these CCAA Proceedings, and are acting in good faith and with due diligence.

CONCLUSIONS AND RECOMMENDATIONS

29. Overall, the Monitor is of the view that the Stay Extension is in the best interests of Trevali NB and its stakeholders. The cash collateral subject to the Secured Lenders' security and disbursed during the extension period will be offset by an approximately equivalent rental payment to Trevali NB and it will allow for an orderly transition of responsibility for the New Brunswick mine sites to DNRED with minimal prejudice to other stakeholders.

30. The Monitor is respectfully of the view that a receivership is appropriate in the circumstances and that the Receivership Order should be granted effective January 24, 2023, at the expiry of the proposed Stay Extension.

All of which is respectfully submitted this January 8, 2023.

FTI Consulting Canada Inc.
in its capacity as Monitor of Trevali



Tom Powell
Senior Managing Director



Mike Clark
Senior Director