



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-9.1, AS AMENDED**

AND

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

PETITIONERS

FIRST REPORT OF THE MONITOR

AUGUST 26, 2022

FIRST REPORT OF THE MONITOR

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INTRODUCTION

1. On August 19, 2022, Trevali Mining Corporation and Trevali Mining (New Brunswick) Ltd. (collectively, “**Trevali**” or the “**Applicants**”) were granted an initial order (the “**Initial Order**”) commencing proceedings (the “**CCAA Proceedings**”) under the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”).
2. The Initial Order established a stay of proceedings (the “**Stay of Proceedings**”) in favour of the Applicants until August 29, 2022 and appointed FTI Consulting Canada Inc. as Monitor in the CCAA Proceedings (the “**Monitor**”).
3. On August 24, 2022 the Applicants filed a notice of application returnable August 29, 2022 for an amended and reinstated Initial Order (the “**ARIO**”) which provides for an extension of the Stay of Proceedings until and including September 30, 2022 (the “**Stay Extension**”).
4. On August 25, 2022 three individual shareholders of Trevali Corp. (the “**Ad Hoc Committee of Shareholders**”) filed a notice of application returnable August 29, 2022 seeking an order (the “**Shareholder Representation Order**”) that provides for, among other things, the Ad Hoc Committee of Shareholders to represent the interests of certain common shareholders of Trevali Mining Corporation with respect to potential claims against Trevali and its directors and officers and appointing KND Complex Litigation (“**KND**”) as counsel to the Ad Hoc Committee of Shareholders.

PURPOSE

5. The purpose of this first report is to provide this Honourable Court and the Applicants’ stakeholders with information and the Monitor’s comments with respect to the following:

- a. the activities of the Monitor since the granting of the Initial Order and the filing of the Pre-Filing Report of the Proposed Monitor dated August 19, 2022 (the “**Pre-Filing Report**”);
- b. an update with respect to payments of pre-filing amounts to critical suppliers;
- c. an update with respect to intercompany funding transactions among the Applicants and their subsidiaries;
- d. Trevali’s application for the Stay Extension;
- e. the Ad Hoc Committee of Shareholders’ application for the Shareholder Representation Order; and
- f. the Monitor’s conclusions and recommendations.

TERMS OF REFERENCE

6. In preparing this report, the Monitor has relied upon certain information (the “**Information**”) including Trevali’s unaudited financial information, books and records and discussions with senior management (“**Management**”).
7. 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.
8. 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.

9. 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.
10. Unless otherwise stated, all monetary amounts contained herein are expressed in United States dollars to be consistent with the Applicants' primary reporting currency.
11. Capitalized terms not otherwise defined herein are as defined in the Pre-Filing Report.

ACTIVITIES OF THE MONITOR

12. Up to and including the date of this First Report, the Monitor's activities have included, but have not been limited to, the following:
 - a. retaining Dentons Canada LLP to act as legal counsel to the Monitor;
 - b. ongoing discussions with Management, the consultant to the Special Committee of the Board of Directors and the Applicants' legal counsel regarding Trevali's business and financial affairs;
 - c. attending discussions with various stakeholders including:
 - i. legal counsel and financial advisors to the secured revolving credit facility lenders (the "**RCF Lenders**");
 - ii. legal counsel and management of Glencore Canada Corporation, Glencore International AG and Glencore AG;
 - iii. representatives of the Province of New Brunswick; and
 - iv. various unsecured creditors and other stakeholders;
 - d. reviewing a request for payment of a pre-filing amount to a critical supplier;

- e. preparing and issuing notices required under the CCAA and Initial Order including:
 - i. mailing notices of the CCAA Proceedings to all known creditors on August 25, 2022;
 - ii. publishing notices of the CCAA Proceedings in the Globe and Mail on August 26 and September 2, 2022 and in The Northern Miner on September 5, 2022; and
 - iii. submitting Form 1 and Form 2 notices to the Office of the Superintendent of Bankruptcy in the prescribed form as required under section 23(1)(f) of the CCAA;
- f. reviewing and discussing various restructuring plans, cash flow scenarios and financial projections prepared by Management;
- g. assisting Management with preparation and analysis of various strategic paths for Trevali and the various assets; and
- h. preparing this First Report.

SUPPLIER MATTERS

Pre-Filing Payments to Critical Suppliers

13. To date, the Company has requested approval of one payment of a pre-filing amount. The Monitor approved the payment on the basis that, among other things, the applicable service provider is critical to the security and preservation of the Caribou mine site and the payment was required to ensure ongoing supply.

Hazardous Materials

14. The transition of the Caribou mine site to care and maintenance operations included the removal of certain hazardous materials including dynamite, cyanide and other inventory that presents safety and environmental risks if not handled and safeguarded appropriately.
15. Due to the generally short shelf life, highly specialized usage and limited secondary market for such inventory, the Applicants allowed the removal by the suppliers of certain hazardous material with a total book value of approximately \$275,000.

INTERCOMPANY FUNDING TRANSACTIONS

16. To date, the Applicants have not entered into any intercompany funding transactions.
17. As referenced in the Pre-filing Report of the Proposed Monitor dated August 19, 2022, the Cash Flow Statement prepared by Management for the 13-week period ending November 15, 2022 does not include any cash disbursements to address the liquidity requirements of the Applicants' non-filing operating subsidiaries including the entities associated with Perkoa and Rosh Pinah.
18. Management based the Cash Flow Statement on the assumption that Rosh Pinah would be able to draw on certain working capital and overdraft facilities in Namibia to address liquidity shortfalls during the period of the Cash Flow Statement.
19. On August 24, 2022 access to the Namibian credit facilities was restricted by the applicable lenders (not the RCF Lenders) pending review by the corresponding lenders of the potential for cross-defaults relating to the CCAA Proceedings.
20. As a result of the forgoing, although Management is continuing efforts to resolve the working capital facility issues so as to access funds, Rosh Pinah is expected to require an intercompany funding transfer from the Applicants in the coming weeks to address a projected liquidity shortfall. Management is continuing to evaluate the amount of

intercompany funding that may be required and considering the implications of such potential transfers on the liquidity of the Applicants. The Monitor will continue to assess this with Management as it evolves.

STAY EXTENSION

21. The Monitor's comments with respect to Trevali's application for the Stay Extension are as follows:

- a. the Cash Flow Statement forecasts that the Applicants will have available liquidity during the term of the proposed Stay Extension. The Applicants may seek approval and authorization of interim financing at a subsequent Court hearing if additional cash is required to support the Applicants and their non-filing operating subsidiaries;
- b. the Applicants require the Stay Extension in order to pursue a restructuring strategy including the pursuit of potential refinancing and the concurrent development of a sales and investment solicitation process;
- c. there will be no material prejudice to the Applicants' creditors and other stakeholders as a result of the Stay Extension;
- d. the Applicants are acting in good faith and with due diligence; and
- e. Trevali's overall prospects of effecting a viable restructuring will be enhanced by the Stay Extension.

SHAREHOLDER REPRESENTATION ORDER

22. The key terms of the Shareholder Representation Order being sought by the Ad Hoc Committee of Shareholders include, among other things:

- a. the appointment of the Ad Hoc Committee of Shareholders to represent the interests of all common shareholders of Trevali Corp. as of the close of business on August 15, 2022 in the CCAA Proceedings with respect to any claims against Trevali and its current or former directors and officers arising out of or relating to their transactions in common shares of Trevali Corp. (the “**Shareholder CCAA Representatives**”);
- b. the appointment of KND as legal counsel to the Shareholder CCAA Representatives;
- c. authorization for KND to collaborate with other legal counsel as necessary or desirable to give effect to the Shareholder Representative Order;
- d. certain prescribed notice requirements including a press release and posting a copy of the Shareholder Representation Order to the websites of KND and the Monitor;
- e. certain persons and entities are excluded from representation by the Shareholder CCAA Representatives and KND including:
 - i. Trevali Corp. and any of its subsidiaries, partners, affiliates, legal representatives, predecessors, successors and assigns;
 - ii. Trevali’s current or former directors and offices, and any entity in which they hold a controlling interest;
 - iii. Glencore plc, Glencore International AG, Glencore AG, Glencore Canada Corporation, and their officers, directors, affiliates, subsidiaries, partners successors and assigns; and

iv. any person who opts out by sending a written request to the Shareholder Representative Counsel by email no later than 30 days from the date of publication of the press release;

f. KND shall have no liability as a result of their appointment, save and except for as a result of any gross negligence or wilful misconduct.

23. Counsel to the Monitor has been in discussions with KND and has been advised that KND has agreed to adjourn the application to the next returnable date. The Monitor is of the view that an adjournment is necessary as such will allow other stakeholders an opportunity to review and consider the application, make any inquiries as may be necessary, obtain instructions and prepare any responsive materials that may be appropriate.

24. The Monitor has not yet formed a view on the application of the Ad Hoc Committee of Shareholders other than that it would be appropriate to adjourn the application.

CONCLUSION AND RECOMMENDATION

25. Based on the foregoing, the Monitor respectfully recommends that this Honourable Court grant the ARIO.

All of which is respectfully submitted this 26th day of August 2022.

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



Tom Powell
Senior Managing Director



Mike Clark
Senior Director