



No. S-238572  
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 A PLAN OF COMPROMISE AND ARRANGEMENT OF  
MYRA FALLS MINE LTD.**

**PETITIONER**

**FIRST REPORT OF THE MONITOR**

**December 22, 2023**

**FIRST REPORT OF THE MONITOR**

**Table of Contents**

INTRODUCTION ..... 3  
PURPOSE ..... 4  
TERMS OF REFERENCE ..... 5  
ACTIVITIES OF THE MONITOR ..... 5  
COURT-ORDERED CHARGES ..... 6  
SUPPLEMENTAL HARDSHIP PAYMENT ..... 9  
SECOND CASH FLOW STATEMENT ..... 11  
STAY EXTENSION..... 13  
CONCLUSIONS AND RECOMMENDATIONS ..... 14

**Appendix A** – Second Cash Flow Statement for the 13-week period ending March 15, 2024

## INTRODUCTION

1. On December 18, 2023, Myra Falls Mine Ltd. (“**MFM**” or the “**Petitioner**”) was granted an initial order (the “**Initial Order**”) under the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”) in the Supreme Court of British Columbia Action No. S-238572, Vancouver Registry (the “**CCAA Proceedings**”).
2. The Initial Order provides for, among other things:
  - a. a stay of proceedings against the Petitioner (the “**Stay of Proceedings**”) until December 28, 2023;
  - b. the appointment of FTI Consulting Canada Inc. as Monitor of the Petitioner (the “**Monitor**”);
  - c. the approval of an interim financing facility to be advanced by Trafigura US Inc. (the “**Interim Lender**”) in an amount not to exceed \$4.0 million as an initial advance;
  - d. certain priority charges against the property of the Petitioner (the “**Court-Ordered Charges**”); and
  - e. the authorization for the Company to pay two additional weeks of wages or salaries to terminated or temporarily laid off employees on the pay cycle following their termination or temporary layoff (the “**Initial Hardship Payment**”).
3. On December 21, 2023, the Petitioner filed a notice of application returnable December 28, 2023 for an amended and restated initial order (the “**ARIO**”), among other things:
  - a. extending the Stay of Proceedings until February 29, 2024 (the “**Stay Extension**”);

- b. increasing the amounts of the Court-Ordered Charges;
- c. granting the Court-Ordered Charges priority ahead of secured creditors pursuant to ss. 11.2(2), 11.51(2) and 11.52(2) of the CCAA;
- d. authorizing the Company to borrow up to \$21.0 million from the Interim Lender, being the full principal amount available under the interim financing facility (the “**DIP Facility**”), together with a corresponding increase in the amount of the charge securing the DIP Facility (the “**Interim Lender’s Charge**”); and
- e. authorizing the Petitioner to make certain payments, at its discretion, to terminated or temporarily laid off employees of a further six weeks of salary or wages (the “**Supplemental Hardship Payment**” and, together with the Initial Hardship Payment, the “**Hardship Payment**”).

## **PURPOSE**

- 4. The purpose of this report is to provide this Honourable Court and the Petitioner’s stakeholders with information with respect to the following:
  - a. the activities of the Monitor since the granting of the Initial Order;
  - b. the proposed increases to the amounts of the Court-Ordered Charges;
  - c. the proposed Supplemental Hardship Payment;
  - d. the cash flow statement (the “**Second Cash Flow Statement**”) for the 13-week period ending March 15, 2024 as well as the key assumptions on which the Second Cash Flow Statement is based;
  - e. the Petitioner’s application for the Stay Extension; and
  - f. the Monitor’s conclusions and recommendations.

## TERMS OF REFERENCE

5. In preparing this report, the Monitor has relied upon certain information (the “**Information**”) including the Petitioner’s unaudited financial information, books and records and discussions with senior management of MFM (collectively, “**Management**”).
6. 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.
7. 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.
8. 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.
9. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian dollars.

## ACTIVITIES OF THE MONITOR

10. Up to and including the date of this First Report, the Monitor’s activities have included, among other things, the following:
  - a. retaining Blake, Cassels & Graydon LLP to act as legal counsel to the Monitor;
  - b. engaging in ongoing discussions with the Petitioner and its legal counsel regarding MFM’s business and financial affairs;

- c. attending telephone discussions with creditors, former employees and other stakeholders;
- d. attending the Petitioner's premises in Campbell River, BC, to support Management in its dealings with stakeholders and initial CCAA matters;
- e. preparing and issuing notices required under the CCAA and Initial Order, including the following:
  - i. mailing notices to creditors as referenced in paragraph 46 of the Initial Order;
  - ii. arranging for a notice to creditors to be published in the Globe and Mail during the week ending December 29, 2023;
  - iii. arranging for a notice to creditors to be published in the next available edition of the Northern Miner;
  - iv. issuing Form 1 and Form 2 notices to the Office of the Superintendent of Bankruptcy in the prescribed forms as required under section 23(1)(f) of the CCAA;
- f. reviewing various cash flow statements and financial projections prepared by Management; and
- g. preparing this First Report.

## **COURT-ORDERED CHARGES**

11. The Initial Order provides for the Court-Ordered Charges to rank in priority to all other charges and security interests against the Petitioner, other than secured creditors with a perfected security interest against the Petitioner or any of its property that have not been

served with the Petition. The Court-Ordered Charges provided for in the Initial Order are summarized as follows:

**First** – the Administration Charge (to the maximum amount of \$350,000);

**Second** – the Director’s Charge (to the maximum amount of \$650,000); and

**Third** – the Interim Lender’s Charge (to a maximum amount of \$4.0 million).

12. The Petitioner is seeking to increase the amounts of the Court-Order Charges and elevate the priority of the Court-Ordered Charges ahead of secured creditors, as summarized below.

**Administration Charge**

13. The proposed Initial Order provided for an Administration Charge to secure the fees and disbursements incurred by counsel to the Petitioner, the Proposed Monitor and the Proposed Monitor’s counsel in connection with services rendered to the Petitioner before and after the commencement of the CCAA Proceedings related to the Petitioner’s restructuring. The proposed ARIO provides for an increase in the Administration Charge from \$350,000 to \$800,000.

14. The Monitor has reviewed the assumptions used by Management in determining the proposed increase to the Administration Charge and notes that the quantum is approximately consistent with an anticipated month of professional fees for the applicable professional firms.

15. The Monitor is of the view that the proposed quantum of the Administration Charge is reasonable and appropriate in the circumstances. As described in the Pre-filing Report of the Proposed Monitor dated December 18, 2023 (the “**Pre-filing Report**”), the Monitor continues to believe that it is appropriate for the beneficiaries to be afforded the

Administration Charge to ensure the Petitioner has access to necessary and integral services to conduct these CCAA Proceedings.

### **Director's Charge**

16. The Initial Order provides for the Director's Charge over the property of MFM in favour of the director and officers of the Petitioner as security for the indemnity contained in the Initial Order in respect of specified obligations and liabilities that the director or officers may incur after the commencement of the CCAA Proceedings. The proposed ARIO provides for an increase in the maximum Director's Charge from \$650,000 to \$1.2 million.
17. The proposed increased charge amount was determined by the Petitioner, in consultation with the Monitor, based on the approximate monthly payroll and benefits costs of MFM in January 2024, exclusive of the Hardship Payments. The Monitor has considered the existing insurance coverage and risk profile of the Petitioner and is of the view that the amended quantum of the Director's Charge is reasonable and appropriate in the circumstances. As described in the Pre-filing Report, the Monitor continues to believe that the support of the Petitioner's director and officers will be beneficial to the Petitioner's efforts to preserve value and maximize recoveries to stakeholders in the CCAA Proceedings.

### **Interim Lender's Charge**

18. The proposed ARIO provides for an increase in the amount of the approved Interim Facility from \$4.0 million to \$21.0 million and a corresponding increase in the Interim Lender's Charge to a maximum of \$21.0 million (plus interest, fees and expenses).
19. As described in the Pre-filing Report, the charge is a condition of the DIP Facility and is required in order to fund the Petitioner's transition to care and maintenance operations and the restructuring costs associated with the CCAA Proceedings. The amount has been

determined based on the amount that MFM is forecasting to require to fund the CCAA Proceedings through to the completion of a sales process.

20. As described in the Pre-filing Report, it is the Monitor's view that the costs and terms of the DIP Facility are reasonable and consistent with comparable circumstances and proceedings.

#### **SUPPLEMENTAL HARDSHIP PAYMENT**

21. The Initial Order authorized the Petitioner to pay two additional weeks of wages or salaries to terminated or temporarily laid off employees on the pay cycle following their termination or temporary layoff.
22. The proposed ARIO being sought by the Petitioners authorizes MFM to pay, at its discretion, the Supplemental Hardship Payment to terminated and temporarily laid off employees of a further six weeks of wages or salaries.
23. Such a payment:
- a. would be conditional upon a safe and orderly transition to care and maintenance on the established timelines;
  - b. would, with respect to union employees, be conditional upon reaching an agreement with Unifor Local 3019 on the terms of the Supplemental Hardship Payment;
  - c. is expected to occur on the later of the next pay cycle following the completed transition to care and maintenance, or the payroll following an employee's termination or layoff;
  - d. if made, will be applied by the Petitioner and the Monitor against (a) any claim made by employees in any claims process or otherwise in these CCAA

Proceedings; or (b) payments to be received by such employees in these CCAA Proceedings; and

- e. would not be made to an employee who resigns prior to his or her scheduled termination or temporary lay-off date.

24. If paid to all eligible employees, it is estimated that total cost of the Supplemental Hardship Payment will be approximately \$4.1 million, and that it may be paid in or around the end of January 2024.

25. The Monitor's comments with respect to the Supplemental Hardship Payment are as follows:

- a. the employees of MFM are facing significant hardship as result of the reduction in MFM's workforce. The Supplemental Hardship Payment, if made, will mitigate the adverse financial consequences of the layoffs and terminations on employees;
- b. the Supplemental Hardship Payment will incentivize temporarily retained employees to assist with the transition to care and maintenance, notwithstanding the lack of certainty regarding their ongoing employment beyond February 2024;
- c. the Supplemental Hardship Payment is supported by the Interim Lender as well as Trafigura Pte Ltd. and Breakwater Resources Ltd. as the two largest unsecured creditors of the Petitioner;
- d. prioritizing and incentivising an efficient and orderly transition to care and maintenance is in the best interests of all stakeholders of MFM;
- e. the DIP Facility and revised DIP Charge contemplated by the ARIO will provide sufficient liquidity for MFM to make the payment; and

- f. the potential for the Supplemental Hardship Payment was disclosed in the Petitioner’s application materials for the Initial Order and the Monitor is not aware of any party raising an objection to the potential payment.

26. Overall, the Monitor is respectfully of the view that authorizing the Petitioner, at its discretion, to make the Supplemental Hardship Payment in these particular circumstances is in the best interests of the stakeholders of MFM and is reasonable in the circumstances.

## **SECOND CASH FLOW STATEMENT**

27. The Petitioner has prepared the Second Cash Flow Statement to set out the liquidity requirements of MFM during the 13 weeks ending March 15, 2024. A copy of the Second Cash Flow Statement is attached as **Appendix “A”**.

28. The Second Cash Flow Statement is summarized in the following table:

<b>Myra Falls Mine Ltd.</b>		
<b>Cash Flow Statement</b>		
<b>13-week Period Ending March 15, 2024</b>		<b>Weeks 1-13</b>
<b>(CAD\$ thousands)</b>		<b>Total</b>
<b>Operating Receipts</b>		
Sales	\$	3,107
Other receipts		1,100
<b>Total Operating Receipts</b>		<b>4,207</b>
<b>Operating Disbursements</b>		
Payroll and Benefits		(12,107)
Consultants and Contractors		(3,448)
Pension Fund Contributions		(272)
Fuel		(520)
Materials and Supplies		(1,085)
Leases		(618)
Reclamation		(427)
Other operating disbursements		(654)
<b>Total Operating Disbursements</b>		<b>(19,132)</b>
<b>Net Change in Cash from Operations</b>		<b>(14,925)</b>
<b>Non-Operating Items</b>		
Capital Expenditures		(33)
Impact Benefit Agreement		(204)
Restructuring Professional Fees		(1,812)
<b>Net Change in Cash from Non-Operating Items</b>		<b>(2,049)</b>
<b>Financing</b>		
Interim Financing		14,500
<b>Net Change in Cash from Financing</b>		<b>14,500</b>
<b>Net Change in Cash</b>		<b>(2,473)</b>
<b>Opening Cash</b>		<b>2,866</b>
<b>Ending Cash</b>	<b>\$</b>	<b>393</b>

29. The Second Cash Flow Statement is consistent with the Cash Flow Statement described in the Pre-filing Report, other than the following revised assumptions:

- a. forecast payroll and benefits disbursements have increased by \$4.1 million to reflect the assumption that the Supplemental Hardship Payment is made during the week ending February 2, 2024;

- b. forecast interim financing advances have increased by \$4.0 million to fund the Supplemental Hardship Payment; and
- c. the timing of certain interim financing advances have been revised to accommodate the assumed Supplemental Hardship Payment and maintain appropriate minimum cash balances.

30. The other assumptions on which the Second Cash Flow Statement is based are consistent with those described in the Pre-filing Report and are not repeated herein.

### **STAY EXTENSION**

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

- a. the Second Cash Flow Statement forecasts that the Petitioner will have available liquidity during the term of the proposed Stay Extension;
- b. the Petitioner requires the Stay Extension in order to continue its efforts to transition the mine to care and maintenance and pursue a restructuring strategy including the development of a sale and investment solicitation process;
- c. there will be no material prejudice to the Petitioner's creditors and other stakeholders as a result of the Stay Extension;
- d. the Petitioner is acting in good faith and with due diligence; and
- e. MFM's overall prospects of effecting a viable restructuring will be enhanced by the Stay Extension.

## CONCLUSIONS AND RECOMMENDATIONS

32. The relief provided by the ARIO will allow the Petitioner to preserve value through an orderly transition to care and maintenance and allow MFM to prepare for an anticipated sale and investment solicitation process.
33. The Supplemental Hardship Payment will mitigate the impact of the shut down of mine operations on affected employees and incentivize temporarily retained employees to assist with the transition to care and maintenance, which is in the best interests of all stakeholders.
34. For the reasons set out in this report, the Monitor respectfully recommends that this Honourable Court grant the ARIO.

\*\*\*\*\*

All of which is respectfully submitted this December 22, 2023.

**FTI Consulting Canada Inc.**  
in its capacity as Monitor of MFM



Paul Bishop  
Senior Managing Director



Tom Powell  
Senior Managing Director

## **Appendix A**

Second Cash Flow Statement for the 13-week period  
ending March 15, 2024

Myra Falls Mine Ltd.  
Second Cash Flow Statement  
For the 13-week period ending March 15, 2024

Week Ending (CAD\$ thousands)	Notes	Week 1 22-Dec-23 Forecast	Week 2 29-Dec-23 Forecast	Week 3 5-Jan-24 Forecast	Week 4 12-Jan-24 Forecast	Week 5 19-Jan-24 Forecast	Week 6 26-Jan-24 Forecast	Week 7 2-Feb-24 Forecast	Week 8 9-Feb-24 Forecast	Week 9 16-Feb-24 Forecast	Week 10 23-Feb-24 Forecast	Week 11 1-Mar-24 Forecast	Week 12 8-Mar-24 Forecast	Week 13 15-Mar-24 Forecast	Total
<b>Operating Receipts</b>															
Sales	[11]	\$ -	\$ 812	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 223	\$ 1,376	\$ 550	\$ -	\$ 695	\$ 3,107
Other receipts	[12]	-	-	-	-	-	550	-	-	-	1,376	550	-	-	1,100
<b>Total Operating Receipts</b>			<b>812</b>				<b>550</b>			<b>223</b>	<b>1,376</b>	<b>550</b>		<b>695</b>	<b>4,207</b>
<b>Operating Disbursements</b>															
Payroll and Benefits	[3]	-	(3,534)	-	(1,081)	-	(2,216)	(4,055)	(265)	-	(632)	(54)	-	(270)	(12,107)
Consultants and Contractors	[4]	(234)	(234)	(374)	(374)	(374)	(374)	(297)	(297)	(297)	(297)	(99)	(99)	(99)	(3,448)
Pension Fund Contributions	[5]	-	(272)	-	-	-	-	-	-	-	-	-	(99)	-	(272)
Fuel	[6]	(112)	(112)	(37)	(37)	(37)	(37)	(23)	(23)	(23)	(23)	(18)	(18)	(18)	(520)
Materials and Supplies	[7]	(219)	(219)	(81)	(81)	(81)	(81)	(59)	(59)	(59)	(59)	(29)	(29)	(29)	(1,085)
Leases	[8]	(30)	(30)	(44)	(44)	(44)	(119)	(35)	(7)	(7)	(82)	(7)	(7)	(7)	(618)
Reclamation	[9]	(51)	(51)	(83)	(83)	(83)	(54)	(26)	(26)	(26)	(38)	(16)	(16)	(16)	(427)
Other operating disbursements	[10]	(718)	(4,599)	(673)	(1,754)	(673)	(2,964)	(4,533)	(714)	(449)	(1,156)	(246)	(192)	(462)	(6,544)
<b>Total Operating Disbursements</b>			<b>(718)</b>	<b>(4,599)</b>	<b>(673)</b>	<b>(1,754)</b>	<b>(2,964)</b>	<b>(4,533)</b>	<b>(714)</b>	<b>(449)</b>	<b>(1,156)</b>	<b>(246)</b>	<b>(192)</b>	<b>(462)</b>	<b>(19,132)</b>
<b>Net Change in Cash from Operations</b>			<b>(718)</b>	<b>(673)</b>	<b>(1,754)</b>	<b>(673)</b>	<b>(2,414)</b>	<b>(4,533)</b>	<b>(714)</b>	<b>(226)</b>	<b>220</b>	<b>304</b>	<b>(192)</b>	<b>233</b>	<b>(14,925)</b>
<b>Non-Operating Items</b>															
Capital Expenditures	[11]	-	-	-	-	-	-	-	-	-	-	-	-	-	(33)
Impact Benefit Agreement	[12]	-	-	-	-	-	-	-	-	-	-	-	-	(204)	(204)
Restructuring Professional Fees	[13]	(479)	-	(331)	-	-	-	(538)	-	-	-	(464)	-	-	(1,812)
<b>Net Change in Cash from Non-Operating Items</b>				<b>(331)</b>				<b>(538)</b>				<b>(464)</b>			<b>(2,049)</b>
<b>Financing</b>															
Interim Financing	[14]	-	4,000	-	2,000	-	7,500	-	1,000	-	-	-	-	-	14,500
<b>Net Change in Cash from Financing</b>			<b>4,000</b>		<b>2,000</b>		<b>7,500</b>		<b>1,000</b>						<b>14,500</b>
<b>Net Change in Cash</b>			<b>(1,196)</b>	<b>214</b>	<b>(1,004)</b>	<b>246</b>	<b>(673)</b>	<b>(5,071)</b>	<b>286</b>	<b>(226)</b>	<b>187</b>	<b>(160)</b>	<b>(192)</b>	<b>29</b>	<b>(2,473)</b>
<b>Opening Cash</b>		<b>2,866</b>	<b>1,670</b>	<b>1,884</b>	<b>879</b>	<b>1,125</b>	<b>452</b>	<b>5,538</b>	<b>468</b>	<b>753</b>	<b>528</b>	<b>715</b>	<b>555</b>	<b>364</b>	<b>2,866</b>
<b>Ending Cash</b>		<b>\$ 1,670</b>	<b>\$ 1,884</b>	<b>\$ 879</b>	<b>\$ 1,125</b>	<b>\$ 452</b>	<b>\$ 5,538</b>	<b>\$ 468</b>	<b>\$ 753</b>	<b>\$ 528</b>	<b>\$ 715</b>	<b>\$ 555</b>	<b>\$ 364</b>	<b>\$ 393</b>	<b>\$ 393</b>

**Notes:**

Management has prepared this Cash Flow Statement solely for the purposes of determining the liquidity requirements of Myra Falls Mine Ltd. during the CCAA Proceedings. The Cash Flow Statement is based on the probable and hypothetical assumptions detailed below. Actual results will likely vary from performance projected and such variations may be material.

- [1] Sales relate to both receipts from finalizations of shipments made prior to the Filing Date, with one additional sale of gold concentrate. All receipts are assumed to be collected under normal course trade settlement terms for shipments.
- [2] Other receipts relate to GST refunds.
- [3] All employees as at the Filing Date are assumed to be paid an additional 2-week top-up payment upon termination/lay-off as well as a 45-day hardship payment during the week ending February 2, 2023, with payroll decreasing thereafter in line with the headcount reduction associated with the transition to care and maintenance.
- [4] Consultants and contractors includes supporting safety and environmental services, demobilization and asset maintenance.
- [5] Early retirement payments are forecast to be remitted as they fall due.
- [6] Fuel payments are forecast to reduce in line with the associated reduced activity of transitioning to care and maintenance.
- [7] Materials and supplies relates to various consumable items required for care and maintenance activities, including certain items required to comply with environmental regulations.
- [8] The forecast includes payments for certain leased machinery and equipment that will continue to be used during and after the transition to care and maintenance.
- [9] Reclamation disbursements relate to activities at both Myra Falls Mine and other legacy assets owned by Myra Falls Mine Ltd.
- [10] Other operating disbursements includes other overhead costs, such as information technology and human resources.
- [11] The pre-existing project to raise the height of the walls of the tailings disposal facility is forecast to be seen through to completion.
- [12] The next payment due under the Impact Benefit Agreement at March month end is shown in the last week of the forecast for conservatism.
- [13] Restructuring professional fees include the fees and disbursements of the Petitioner's legal counsel, the Monitor, the Monitor's legal counsel and a contingency for other advisors.
- [14] Interim financing of \$14.5 million is forecast to be extended over the forecast period, with any and all applicable interest and fees being paid in kind.