



No. S-226670
Vancouver Registry
Estate No. 51-126392

**IN THE SUPREME COURT OF BRITISH COLUMBIA
IN BANKRUPTCY AND INSOLVENCY**

**IN THE MATTER OF THE RECEIVERSHIP OF
TREVALI MINING (NEW BRUNSWICK) LTD.**

FIRST REPORT OF THE RECEIVER

JUNE 1, 2023

FIRST REPORT OF THE RECEIVER

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INTRODUCTION

1. On August 19, 2022, Trevali Mining Corporation and Trevali Mining (New Brunswick) Ltd. ("**Trevali NB**" and collectively, "**Trevali**") sought and obtained an initial order (the "**Initial Order**") from the Supreme Court of British Columbia under the *Companies' Creditors Arrangement Act* R.S.C. 1985, c. C-36, as amended (the "**CCAA**"). Pursuant to the Initial Order, FTI Consulting Canada Inc. ("**FTI**") was appointed monitor of Trevali.
2. On September 14, 2022, this Honourable Court granted an order approving procedures for a sales and investment solicitation process (the "**SISP**") for the assets of Trevali. With respect to Trevali NB, and its operations at the Caribou mine, the SISP did not generate any bids prior to the October 7, 2022 LOI Deadline, as defined in the SISP. With this outcome, Trevali, with the assistance of FTI as monitor, engaged with their secured lenders and the Government of New Brunswick to consider next steps with respect to the Caribou mine.
3. On January 9, 2023, this Honourable Court granted the following orders:
 - a. an order (the "**Receivership Order**"), upon application of Glencore Canada Corporation ("**Glencore**") and Bank of Nova Scotia, in its capacity as administrative agent for the revolving credit facility lenders (in such capacity, the "**RCF Administrative Agent**"), appointing FTI (the "**Receiver**") as receiver of all of the assets, undertakings and property of Trevali NB, including all proceeds thereof, other than any real property, mineral claims, mining leases, real property leases owned or held by Trevali NB (collectively, the "**Property**") and an order excluding from the Property an amount sufficient to pay statutory severance and retention bonuses to employees of Trevali NB (the "**Employment Amount**") as of January 24, 2023 at 11:59pm PST (the "**Appointment Time**"), with any excess funds from the Employment Amount to be delivered to the Receiver; and
 - b. an order authorizing and approving the Department of Natural Resources and Energy Development ("**DNRED**") and its approved contractors' right to rent and

use certain equipment currently owned or leased by Trevali NB, on terms and conditions consistent with the terms agreed to by DNRED, the RCF Administrative Agent, Glencore and Trevali NB from the commencement of the rental term until and including March 15, 2023, in exchange for payment of US\$198,000 (the “**Rental Agreement**”), and an order extending the stay of proceedings in the CCAA proceeding in respect of Trevali NB until and including January 24, 2023. On March 15, 2023, the Receiver and DNRED extended the Rental Agreement to April 30, 2023 for a rental fee of \$15,000 per week, and the Rental Agreement was subsequently extended to June 30, 2023.

4. The purpose of this First Report is to provide this Honourable Court with an update with respect to:
 - a. the Receiver’s activities since the Appointment Time;
 - b. the Receiver’s correspondence with the Environmental Impact Assessment Branch of the Department of Environment and Local Government at the Province of New Brunswick (“**DELG**”) in respect of its letter (the “**DELG Letter**”) addressed to Trevali NB and dated January 24, 2023;
 - c. the Receiver’s anticipated sales process; and
 - d. the Receiver’s interim statement of cash receipts and disbursements (“**R&D**”) for Trevali NB for the period of January 24, 2020 to May 30, 2023.
5. The Receivership Order and other publicly available information in respect of these proceedings (the “**Receivership Proceedings**”) are posted on the Receiver’s website at <http://cfcanada.fticonsulting.com/Trevali/receivership.htm>.

TERMS OF REFERENCE

6. In preparing this report, the Receiver has relied upon certain information (the “**Information**”) including Trevali’s unaudited financial information, books and records and discussions with current and former senior management of Trevali (“**Management**”).
7. Except as described in this report, the Receiver 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 Receiver 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 Canadian dollars. Capitalized terms not otherwise defined are as defined in the Receivership Order.

RECEIVER’S ACTIVITIES

11. Since the Appointment Time, the Receiver’s activities have included, among other things, the following:
 - a. taking possession of the Trevali NB bank accounts and initiating a transfer of the cash to the Receiver’s estate trust accounts;
 - b. receiving rental fees and negotiating extensions of the Rental Agreement;

- c. attending the Caribou mine site in Bathurst, New Brunswick from January 24 to January 26, 2023, to observe and document the equipment assets and other Property;
- d. obtaining measurements of consumable inventory, including approximately 34,000 liters of diesel fuel;
- e. corresponding with DNRED regarding the rented equipment;
- f. retaining Dentons Canada LLP (“**Dentons**”) to act as legal counsel to the Receiver;
- g. considering, and engaging Dentons to review, potential secured claims involving Trevali NB, and arranging for an opinion regarding the security of certain secured creditors;
- h. corresponding with DELG regarding the *Environmental Impact Assessment Regulation*, New Brunswick Regulation 87-83 under the *Clean Environment Act* (the “**EIA Regulation**”) and related implications for the removal of the Property from the Caribou mine site;
- i. arranging property and general liability insurance in respect of the Property;
- j. attending to statutory notices including mailing a Notice and Statement of the Receiver to all known creditors of Trevali NB;
- k. coordinating with former management of Trevali NB to confirm the payment of the Employment Amount;
- l. corresponding with DNRED and other stakeholders with respect to transition matters relating to the care and maintenance operations, potential investors in the

Caribou mine site and transition of certain books and records and data room materials;

- m. corresponding with the Canada Revenue Agency in respect of the results of an audit of Trevali NB's Goods and Services Tax/Harmonized Sales Tax for the period from March 2019 to October 2022, including potential post-filing obligations of approximately \$550,000 resulting from sales to Glencore that were set-off against obligations of Trevali NB rather than paid for in cash; and
- n. preparing for a tender process to solicit binding bids on the Property.

CARIBOU MINE

- 12. On January 24, 2023, the Receiver received the DELG Letter addressed to the then sole director of Trevali NB advising that, with respect to the Caribou and Restigouche mines: “no modification, abandonment, or demolition activities may proceed without the authorization of the Department of Environment Local Government.”
- 13. On February 8, 2023, the Receiver held an introductory discussion with representatives from DELG to understand the implications of the DELG Letter. Based on those discussions, the Receiver delivered an update to DELG on the Receivership Proceedings and its preliminary plans in respect of the Property on February 10, 2023.
- 14. On March 7, 2023, the Receiver received a response from DELG indicating that the sale and removal from the mine site of certain of the Property, including all of the equipment being rented by DNRED as well as certain additional pieces of rolling stock, “would be considered commencement of abandonment of an undertaking”, which would require a Certificate of Determination be issued by the Minister of Environment and Climate Change prior to that equipment being removed from the mine site.
- 15. On March 14 and April 5, 2023, the Receiver held further calls with DELG to better understand how the various pieces of equipment, specifically the rolling stock, were

evaluated by DELG with respect to the EIA Regulation. The Receiver has since kept DELG representatives apprised of its intentions regarding the tender process, including by way of a letter to DELG dated May 5, 2023, setting out, among other things, details of the Receiver's anticipated marketing activities for the Property.

16. The Receiver, in conjunction with its legal counsel, is reviewing the processes under the EIA Regulation and potential paths forward regarding certain Trevali NB equipment.

SALES PROCESS

17. In consideration of, among other things, the Rental Agreement and seasonal weather conditions in New Brunswick, the Receiver did not initiate a formal tender process for realizing on the Property in early 2023.
18. As weather conditions have now improved, the Receiver anticipates commencing a tender process in early June and is in the process of bringing certain assets to a staging area on the surface of the Caribou mine. The Receiver will be on site to facilitate the sales process and has also engaged a contractor to clean and complete any minor repairs to otherwise prepare the Property for sale.
19. The Receiver has prepared materials to initiate a tender process, including:
 - a. a teaser document to distribute to interested parties in support of a Request for Proposals;
 - b. a data room to include refreshed pictures and descriptions of the assets; and
 - c. a standard form of proposal to solicit binding bids including a 10% deposit by June 30, 2023.
20. The Receiver anticipates running a short, four-week process given that the assets have previously been marketed.

21. The Receiver has consulted with DNRED as it anticipates that certain bidders may seek support from the Government of New Brunswick for a transfer of the Trevali NB mine licenses. The Receiver understands that DNRED is aligned with the process and has advised that it will be supportive to the extent bidders wish to visit the Caribou mine site or have questions on the licenses or the process to transfer licenses.

RECEIVER'S INTERIM STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS

22. A summary of the Receiver's cash receipts and disbursements for the period from January 24, 2023 to May 30, 2023 is summarized below:

Trevali NB Statement of Receipts and Disbursements Twenty Week Period Ending May 30, 2023 (CAD Thousands)		Actual
Receipts		
Transfer of cash on hand		216
Equipment rental fee		409
Vendor deposits		57
Bank interest		1
Total Receipts		683
Disbursements		
Insurance		(28)
Costs incurred to ready equipment for sale		(17)
Receiver's fees and expenses		(153)
Legal fees and expenses		(63)
Total Disbursements		(262)
Ending Cash		421


23. The Receiver is holding approximately \$421,000 in its estate trust accounts, comprised of the following receipts and disbursements:

- a. cash of approximately \$216,000 that was transferred to the Receiver's estate accounts at the instruction of the Receiver;
- b. rental fees from DNRED of approximately \$409,000 covering the period to April 30, 2023;

- c. vendor deposits recovered by the Receiver totaling approximately \$57,000;
- d. insurance costs of \$28,000 for six months of property and general liability coverage ending July 24, 2023, subject to a three-month minimum retained premium;
- e. costs incurred to prepare the equipment for sale; and
- f. Receiver and its legal counsel's fees and expenses of approximately \$153,000 and \$63,000, respectively.

All of which is respectfully submitted this 1st day of June, 2023.

FTI Consulting Canada Inc.
in its capacity as Receiver of
Trevali Mining (New Brunswick) Ltd.

Fac: 
Tom Powell
Senior Managing Director


Mike Clark
Senior Director