

Court File No. _____

Tacora Resources Inc.

PRE-FILING REPORT OF THE PROPOSED MONITOR

October 9, 2023

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

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 OR ARRANGEMENT OF
TACORA RESOURCES INC.

**PRE-FILING REPORT TO THE COURT
SUBMITTED BY FTI CONSULTING CANADA INC.,
IN ITS CAPACITY AS PROPOSED MONITOR**

INTRODUCTION

1. FTI Consulting Canada Inc. (“**FTI**” or the “**Proposed Monitor**”) has been informed that Tacora Resources Inc. (the “**Applicant**”) intends to make an application under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”) for an initial order (the “**Proposed Initial Order**”) granting, *inter alia*, a stay of proceedings in favour of the Applicant for an initial ten days, (the “**Stay Period**”) and appointing FTI as monitor (in such capacity, the “**Monitor**”). The proceeding to be commenced by the Applicant under the CCAA will be referred to herein as the “**CCAA Proceeding**”.
2. This pre-filing report of the Proposed Monitor (the “**Report**”) has been prepared to provide information to this Court for its consideration in respect of the relief sought by the Applicant in the Proposed Initial Order.

3. The Proposed Monitor understands that the Applicant will be seeking a further order (the “**Proposed Amended and Restated Initial Order**”) at a subsequent hearing, to be scheduled with the supervising judge prior to the expiry of the Stay Period, granting certain broader relief. If appointed, the Monitor intends to file a further report in advance of that hearing to provide information on the relief sought in the Proposed Amended and Restated Initial Order.

4. The purpose of this Report is to inform the Court on the following:
 - (a) The qualifications of FTI to act as Monitor and an overview of the involvement of FTI and its affiliates with the Applicant to date;
 - (b) The state of the business and affairs of the Applicant and the causes of its financial difficulty and insolvency;
 - (c) The proposed conduct of the CCAA Proceeding;
 - (d) The Applicant’s weekly cash flow forecast for the period October 9, 2023, to February 25, 2024 (the “**October 7 Forecast**”);
 - (e) The Applicant’s request, and the Proposed Monitor’s recommendation thereon, for:
 - (i) Approval of the DIP Facility Term Sheet (the “**DIP Financing Agreement**”) dated October 9, 2023, between the Applicant, as Borrower and Cargill, Incorporated (“**Cargill**” or the “**DIP Lender**”), pursuant to which the DIP Lender has agreed to advance up to a maximum principal amount of \$75 million (the “**DIP Facility**”) to the Applicant, subject to the terms and conditions of the DIP Financing Agreement, with an initial loan amount of up to \$15.5 million being available prior to the comeback hearing; and

- (ii) A priority charge in favour of the DIP Lender on all the assets, property and undertakings of the Applicant in order to secure the obligations under the DIP Financing Agreement as described below (the “**DIP Charge**”);
- (f) The Applicant’s request for approval of a charge in the amount of \$4.6 million (the “**Directors’ Charge**”) securing the indemnification by the Applicant of its directors and officers against obligations and liabilities that they may incur as directors or officers of the Applicant after the commencement of the CCAA Proceeding, except to the extent that, with respect to any individual, the obligation or liability was incurred as a result of the individual’s gross negligence or wilful misconduct, and the Proposed Monitor’s recommendation thereon; and
- (g) The Applicant’s request for approval of a charge in the amount of \$1 million (the “**Administration Charge**”) securing the fees and expenses of the Monitor and legal counsel to the Monitor (the “**Monitor’s Counsel**”), legal counsel of the Applicant (the “**Applicant’s Counsel**”), and the payment by the Applicant of the Monthly Advisory Fee (as defined in the Engagement Letter (the “**Greenhill Engagement Letter**”) dated as of January 23, 2023 between the Applicant and Greenhill & Co. Canada Ltd. (“**Greenhill**”)) and the Proposed Monitor’s recommendation thereon.

TERMS OF REFERENCE

- 5. In preparing this Report, the Proposed Monitor has relied upon unaudited financial information of the Applicant, the Applicant’s books and records, certain financial information prepared by the Applicant and discussions with various parties (the “**Information**”).
- 6. Except as otherwise described in this Report:

- (a) The Proposed 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; and
 - (b) The Proposed 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.
7. The Proposed Monitor has prepared this Report in connection with the application for the Proposed Initial Order filed, or to be filed, by the Applicant (the “**Initial Application**”) and should not be relied on for any other purpose.
8. Future oriented financial information reported or relied on in preparing this Report is based on the assumptions of the management of the Applicant (“**Management**”) 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 United States Dollars. Capitalized terms not otherwise defined herein have the meanings given to them in the affidavit of Mr. Joe Broking, President and Chief Executive Officer of the Applicant (the “**Broking Initial Affidavit**”) or in the affidavit of Mr. Chetan Bhandari of Greenhill (the “**Bhandari Initial Affidavit**”), both sworn October 9, 2023, in support of the Initial Application.

EXECUTIVE SUMMARY

10. The Proposed Monitor is of the view that:
- (a) Granting the relief requested in the Proposed Initial Order will provide the Applicant with the best opportunity to preserve and maximize value for its stakeholders;

- (b) The DIP Facility is necessary, the terms of the DIP Financing Agreement are reasonable and within market parameters, it is the best interim financing facility currently available, and no creditor will be materially prejudiced by the approval of the DIP Financing Agreement or the granting of the DIP Charge;
 - (c) The quantum of the proposed Directors' Charge is reasonable in relation to the quantum of the estimated potential liability;
 - (d) The quantum of the proposed Administration Charge is reasonable in the circumstances; and
 - (e) The relief requested by the Applicant, including the approval of the DIP Financing Agreement, the granting of the DIP Charge, the Directors' Charge and the Administration Charge, is necessary, reasonable and justified.
11. Accordingly, the Proposed Monitor respectfully recommends that the Applicant's request for the Proposed Initial Order be granted by this Honourable Court.

FTI AND ITS AFFILIATES

QUALIFICATIONS TO ACT

12. FTI is a trustee within the meaning of section 2 of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended, (the "BIA") and is not subject to any of the restrictions on who may be appointed as monitor set out in section 11.7(2) of the CCAA. FTI has provided its consent to act as Monitor.

13. As set out in greater detail below, FTI has been acting as financial advisor to the Applicant and is familiar with its business and operations, certain of their personnel, the key issues and the key stakeholders in this CCAA Proceeding. The senior FTI representative with carriage of this matter is an experienced Chartered Insolvency and Restructuring Professional and a Licensed Insolvency Trustee, who has acted in restructurings and CCAA matters in Ontario and other provinces of Canada and as an authorized “foreign representative” in foreign jurisdictions.
14. FTI also has extensive experience in the mining industry, including specifically with the Scully Mine, which was acquired by the Applicant in the CCAA proceedings of Wabush Mines, commenced in 2015, a case in which FTI is the court-appointed Monitor. A number of suppliers of the Applicant are also creditors in the Wabush Mines CCAA proceedings. The Wabush Mines CCAA proceedings are not yet complete as certain litigation has delayed the final distribution under the plan of arrangement. However, the only remaining matters in the Wabush Mines CCAA proceedings are the implementation of the final distribution and other administrative matters. Accordingly, FTI does not believe that there would be any conflict of interest between its appointment as monitor of Wabush Mines and an appointment as Monitor of the Applicant.

INVOLVEMENT TO DATE OF FTI

15. FTI was originally engaged as financial advisor to the Applicant pursuant to an engagement letter between FTI and the Applicant, executed December 5, 2022 (the “**FTI Engagement Letter**”), and has been active from time to time since then in providing assistance and advice to the Applicant. FTI’s role as financial advisor was to provide financial, strategic and restructuring advice and, if necessary, to assist the Applicant in preparing for a filing under the CCAA.
16. FTI has provided no accounting or auditing advice to the Applicant. Fees payable to FTI pursuant to the FTI Engagement Letter are based on hours worked multiplied by normal hourly rates. FTI is not entitled to any success-based or other contingency-based fee.

THE APPLICANT'S BUSINESS & AFFAIRS AND CAUSES OF INSOLVENCY

17. The business and affairs of the Applicant and the causes of its insolvency are described in the Broking Initial Affidavit. The Proposed Monitor has reviewed the Broking Initial Affidavit and discussed the business and affairs of the Applicant and the causes of its insolvency with Management and is of the view that the Broking Initial Affidavit provides a fair summary thereof.

THE PROPOSED CONDUCT OF THE CCAA PROCEEDINGS

18. As described in the Broking Initial Affidavit, at the comeback hearing the Applicant intends to seek:
- (a) An extension of the Stay Period to February 9, 2024;
 - (b) Authorization to borrow up to the full \$75 million available under the DIP Financing Agreement;
 - (c) An increase in the Director's Charge to \$5.2 million;
 - (d) Approval of the Greenhill Engagement Letter and charges in the cumulative amount of \$5.6 million to secure the Transaction Fee (as defined in the Broking Initial Affidavit);
 - (e) Approval of a sale, investment and services solicitation process (the "**Solicitation Process**") to solicit interest in a potential Restructuring Transaction¹ that may be available to the Applicant; and
 - (f) Approval of a key employee retention plan (the "**KERP**") and the granting of a charge to secure payments under the KERP (the "**KERP Charge**").

¹ As defined in the Solicitation Process.

19. The Monitor will provide a report with its recommendations on the proposed additional relief prior to the comeback hearing.

THE OCTOBER 7 FORECAST

20. The October 7 Forecast, together with Management’s report on the cash-flow statement as required by section 10(2)(b) of the CCAA, is attached hereto as **Appendix A**. The October 7 Forecast shows a net cash outflow of approximately \$71.8 million for the period October 9, 2023, to February 25, 2024, excluding advances, interest and fees under the DIP Financing Agreement, and is summarized below:

	\$000
Total Receipts	135,981
Operating Disbursements	
Employees	(23,930)
Mine, Mill and Site Costs	(39,605)
Plant Repairs and Maintenance	(44,122)
Logistics	(42,065)
Capital Expenditures	(37,288)
Other	(10,263)
Total Operating Disbursements	(197,273)
Net Cash from Operations	(61,292)
Restructuring Legal and Professional Costs	(7,457)
KERP	(3,035)
Net Cash Flow	(71,784)
Opening Cash Balance	12,272
Net Receipts/(Disbursements)	(71,784)
DIP Advances/(Repayments)	72,400
DIP Fees and Interest	(1,730)
Closing Cash Balance	11,158

21. Section 23(1)(b) of the CCAA states that the Monitor shall:

“review the company’s cash-flow statement as to its reasonableness and file a report with the court on the monitor’s findings;”

22. Pursuant to section 23(1)(b) of the CCAA and in accordance with the Canadian Association of Insolvency and Restructuring Professionals Standard of Practice 09-1, the Proposed Monitor hereby reports as follows:
- (a) The October 7 Forecast has been prepared by Management of the Applicant for the purpose described in Note 1, using the probable assumptions and the hypothetical assumptions set out in Notes 1 to 7 thereof;
 - (b) The Proposed Monitor's review consisted of inquiries, analytical procedures and discussion related to information supplied by certain of Management, employees of the Applicant and Greenhill. Since hypothetical assumptions need not be supported, the Proposed Monitor's procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the October 7 Forecast. The Proposed Monitor has also reviewed the support provided by Management for the probable assumptions, and the preparation and presentation of the October 7 Forecast;
 - (c) Based on its review, nothing has come to the attention of the Proposed Monitor that causes it to believe that, in all material respects:
 - (i) The hypothetical assumptions are not consistent with the purpose of the October 7 Forecast;
 - (ii) As at the date of this Report, the probable assumptions developed by Management are not suitably supported and consistent with the plans of the Applicant or do not provide a reasonable basis for the October 7 Forecast, given the hypothetical assumptions; or
 - (iii) The October 7 Forecast does not reflect the probable and hypothetical assumptions;

- (d) Since the October 7 Forecast is based on assumptions regarding future events, actual results will vary from the information presented even if the hypothetical assumptions occur, and the variations may be material. Accordingly, the Proposed Monitor expresses no assurance as to whether the October 7 Forecast will be achieved. The Proposed Monitor expresses no opinion or other form of assurance with respect to the accuracy of any financial information presented in this Report, or relied upon by the Proposed Monitor in preparing this Report; and
- (e) The October 7 Forecast has been prepared solely for the purpose described in Note 1 on the face of the October 7 Forecast and readers are cautioned that it may not be appropriate for other purposes.

THE DIP FINANCING AGREEMENT AND PROPOSED DIP CHARGE

THE DIP FINANCING SELECTION PROCESS

- 23. Unless otherwise defined or specified, capitalized terms used in this section of this Report are as defined in the DIP Financing Agreement, a copy of which is attached as **Exhibit K** to the Broking Initial Affidavit.
- 24. As described in the Broking Initial Affidavit and the Bhandari Initial Affidavit, the Applicant engaged in a competitive interim financing solicitation process and received, actively exchanged and negotiated terms with certain third parties and its secured creditors, including the DIP Lender and the Ad Hoc Group of Senior Noteholders, (the “**Ad Hoc Group**”).

25. In the days leading up to the CCAA filing, the Applicants received DIP proposals from both the Ad Hoc Group and the DIP Lender. In order to ensure that the Applicants made a fully informed decision in choosing between the two proposals, the Applicant requested that both parties provide final, definitive, executed DIP term sheets by 5:00 pm on October 7, 2023 (the “**DIP Deadline**”). Leading up to the DIP Deadline, the Applicants provided feedback to each of the parties on their existing proposal and related documents, including the DIP Budget.
26. At the DIP Deadline, the DIP Lender submitted an executed DIP term sheet with a maximum facility of \$60 million. The cover email noted that the revised forecasts provided to the DIP Lender indicated that the DIP requirement had increased to \$72.4 million and that head office approval would be sought for the necessary increase in the amount of the DIP Facility.
27. Also at the DIP Deadline, the Ad Hoc Group informed the Applicant that they would not be able to provide a binding executed offer by the DIP Deadline, but noted that the Ad Hoc Group was still committed to providing a DIP facility as previously agreed and stood behind their DIP term sheet previously submitted on September 12, 2023.
28. The Applicant continued discussions with both the DIP Lender and the Ad Hoc Group. Ultimately, the Ad Hoc Group submitted a revised DIP term sheet and the DIP Lender confirmed the increase in the size of their proposed facility and agreed to some proposed drafting changes.
29. The Applicant carefully considered the two submissions and ultimately selected the DIP Financing Agreement from the DIP Lender as it was determined, in the business judgement of the Board of Directors of the Applicant, to be the superior proposal based on a variety of factors including:
 - (a) The size of the DIP facilities and the resultant relative potential prejudice to stakeholders;
 - (b) The cash costs associated with each DIP proposal;

- (c) The terms, conditions, covenants and events of defaults in each DIP proposal;
- (d) The relative degree of potential operational disruption resulting from each DIP proposal; and
- (e) The continued availability of margin and hedging arrangements under the DIP Financing Agreement.

THE DIP FINANCING AGREEMENT

30. Subject to the terms and conditions of the DIP Financing Agreement, the DIP Lender has agreed to lend to the Applicant up to \$75 million for the following purposes (in each case in accordance with the DIP Budget):
- (a) To pay the reasonable and documented professional and advisory fees and expenses (including legal fees and expenses) of the Applicant and the Monitor;
 - (b) To pay the reasonable and documented DIP Lender Expenses;
 - (c) To pay the interest, fees and other amounts owing to the DIP Lender under the DIP Financing Agreement; and
 - (d) To fund, in accordance with the DIP Budget, the Applicant's funding requirements during the CCAA Proceedings, including, without limitation, in respect of the pursuit of a Restructuring Transaction and the working capital and other general corporate funding requirements of the Applicant during such period.
31. The Applicant is required to use the proceeds from the DIP Advances solely in accordance with the DIP Budget subject to the Permitted Variance, being a variance of not more than 15% in the aggregate disbursements (excluding the DIP Lender Expenses) on a cumulative basis since the beginning of the period covered by the applicable DIP Budget.
32. The DIP Facility will be made available by way of:

- (a) **An Initial Advance:** In the principal amount of \$15.5 million to be advanced not later than one (1) Business Day following the satisfaction of the conditions precedent to the Initial Advance as set out in Section 7 of the DIP Financing Agreement (which conditions precedent include, without limitation: (i) the Proposed Initial Order having been issued in substantially the form attached as a schedule to the DIP Financing Agreement; and (ii) delivery by the Applicant of an Advance Confirmation Certificate (in the form attached as a schedule to the DIP Financing Agreement) to the DIP Lender and Monitor). All accrued DIP Lender Expenses incurred prior to the Filing Date (which are capped at CDN125,000) in connection with the DIP Facility and the preparation for and initiation of the CCAA Proceedings shall be paid in full by way of a deduction from the Initial Advance.
- (b) **Subsequent Advances:** Subsequent Advances to be made every other week (or as otherwise agreed to by the Applicant and DIP Lender) with each Subsequent Advance amount being in an amount no less than \$1 million and the principal amount of the aggregate Subsequent Advances being no more than \$59.5 million. The timing for each Subsequent Advance shall be determined based on the funding needs of the Applicant as set forth in the DIP Budget. Each Subsequent Advance is required to be advanced by the DIP Lender within two (2) Business Days of delivery by the Applicant of an Advance Confirmation Certificate, provided the conditions precedent to the Subsequent Advances as set out in Section 8 of the DIP Financing Agreement are satisfied as of the date of delivery of the Advance Confirmation Certificate to the DIP Lender and Monitor (which conditions precedent include, without limitation, the Proposed Amended and Restated Initial Order having been issued in substantially the form attached as a schedule to the DIP Financing Agreement).

33. Under the DIP Financing Agreement, the DIP Lender has also agreed to maintain certain existing business arrangements between the Applicant and Cargill and its affiliate, Cargill International Trading PTE Ltd. (“**CITPL**”). Unless an Event of Default then exists under the DIP Financing Agreement, Cargill will:
- (a) Cause CITPL to continue to make the deemed Margin Advances under the Advance Payments Facility Agreement to fund any Margin Amounts (the “**Post-Filing Margin Advances**”) which amounts are to be secured by the DIP Charge;
 - (b) Cause CITPL to continue to provide the Applicant with (i) services in a manner consistent with past practice, to assist with the Applicant’s business and operation (the “**Existing Services**”) and (ii) other services (including consulting or advisory services or technical support) whether provided through third parties or by employees of Cargill that may be agreed to by the Applicant and Cargill (or CITPL), with the consent of the Monitor (the “**Additional Services**”). The cost of the Existing Services shall continue to be provided at no cost, consistent with past practice, and the cost of the Additional Services shall be mutually agreed by Cargill (or CITPL) and the Applicant, with the consent of the Monitor. The Applicant shall reimburse CITPL for the cost of the Services on the Maturity Date and all such amounts to be reimbursed shall be secured by and have the benefit of the DIP Charge with the same priority as the DIP Obligations; and
 - (c) Cause CITPL to:
 - (i) extend the term of the Onshore Agreement to the Maturity Date, provided that following an Event of Default, CITPL may discontinue performance of the Onshore Agreement with leave of the Court in accordance with the terms of the DIP Financing Agreement;

- (ii) continue to perform its obligations under the Offtake Agreement, provided that following an Event of Default, CITPL may discontinue performance of the Offtake Agreement with leave of the Court in accordance with the terms of the DIP Financing Agreement; and
 - (iii) continue to honour and perform in respect of any existing side letters entered into between the Applicant and Cargill in respect of hedges for the sale and purchase of iron ore under the Offtake Agreement notwithstanding the commencement of the CCAA Proceedings provided that following an Event of Default, CITPL may discontinue such performance with leave of the Court in accordance with the terms of the DIP Financing Agreement.
- 34. The DIP Financing Agreement requires that the DIP Facility be secured by the DIP Charge with priority to (i) all other Liens other than Permitted Priority Liens, and (ii) Liens of any person who receive notice of the application for the Proposed Initial Order. The Permitted Priority Liens include, *inter alia*, the Administration Charge, Directors' Charge, KERP Charge and the Transaction Fee Charge.
- 35. Interest is payable on the (a) principal amount of DIP Advances and (b) overdue interest, fees (including the Exit Fee, as defined below) and DIP Lender Expenses outstanding from time to time at a rate equal to 10.0% *per annum*.
- 36. Under the DIP Financing Agreement, upon the earlier of (a) completion of a successful Restructuring Transaction and (b) the repayment in full of the DIP Facility and all other DIP Obligations and/or cancellation of all remaining commitments in respect thereof, the Applicant agrees to pay an exit fee, in cash (the "Exit Fee"), in an amount equal to 3.00% of the aggregate committed amount of the DIP Facility, being equal to \$2,250,000. The Exit Fee will only be payable if the DIP Facility is approved pursuant to the Proposed Amended and Restated Initial Order.

37. In addition to other typical positive and negative covenants required to be performed by the Applicant, the Applicant is also required to:
- (a) Obtain the Amended Initial Order by October 20, 2023;
 - (b) Comply with the terms of and keep in full force and effect each of the Offtake Agreement, the Onshore Agreement and the Wetcon PSA;
 - (c) Comply with the DIP Budget subject to the Permitted Variance; and
 - (d) Not make any changes to composition of the board of directors of the Applicant other than pursuant to a Court Order;
38. The DIP Obligations are repayable by the Applicant in full on the Maturity Date, being the earliest to occur of:
- (a) An occurrence of an Event of Default which is continuing and has not been cured;
 - (b) The completion of a Restructuring Transaction;
 - (c) Conversion of the CCAA Proceeding into a proceeding under the BIA;
 - (d) The date on which the DIP Obligations are voluntarily prepaid in full and the DIP Facility is terminated; and
 - (e) The Outside Date, being October 10, 2024.
39. The DIP Financing Agreement also contains a number of Events of Default including, among others:

- (a) The termination, suspension or disclaimer of the Existing Arrangements, or the taking of any steps to terminate, suspend or disclaim (if permitted under the CCAA) any of the Existing Arrangements (which, for greater certainty, shall not include (i) the commencement and prosecution of the SISP, including the solicitation of an Alternative Offtake or Service Agreement, or (ii) taking any step or related action pursuant to a binding agreement entered into in respect of a Restructuring Transaction at or after the Bid Deadline, including executing such agreement, seeking court approval of such binding agreement or taking any steps in connection with consummating the Restructuring Transaction pursuant to such binding agreement) in each case at or after the Bid Deadline, without prejudice to any rights that CITPL may have pursuant to section 32 (including subsection 32(9)(c)) of the CCAA or otherwise; and
 - (b) Failure of the Applicant to deliver a Variance Report as required or there shall exist a cumulative negative variance in excess of the Permitted Variance for an applicable testing period.
40. Under the DIP Financing Agreement, the Applicant and the DIP Lender also agree that the Applicant (in consultation with the Monitor) is required to pursue the Solicitation Process in accordance with certain agreed milestones. As well, the Applicant and the DIP Lender agree that nothing in the DIP Financing Agreement restricts the Applicant from terminating, suspending or disclaiming the Existing Arrangement (if permitted under the CCAA) provided that, the parties acknowledge such termination, suspension or disclaimer will cause an Event of Default and the DIP Lender may exercise rights and remedies set out in this Agreement if the DIP Obligations are not repaid in full in accordance with the DIP Financing Agreement.
41. The DIP Financing Agreement contains other terms, conditions, affirmative covenants, negative covenants, representations and warranties, events of default and remedies which are, in the Proposed Monitor's view, customary for this type of financing, including the granting of the DIP Charge.

THE PROPOSED MONITOR'S COMMENTS AND RECOMMENDATION

42. Section 11.2(4) of the CCAA, sets out certain factors that should be considered, among other things, in deciding whether to make an order granting an interim financing charge. These factors, and the Proposed Monitor's comments thereon, are addressed in turn below.

The period during which the company is expected to be subject to proceedings under the CCAA

43. As discussed earlier in this Report, the Applicant will seek approval of the Solicitation Process at the comeback hearing to be held prior to the expiry of the Stay Period. If the Solicitation Process is approved in the form proposed, the deadline for binding bids will be January 19, 2024, and the closing of a transaction or transactions is to occur by no later than February 23, 2024.
44. Based on the October 7 Forecast and subject to its underlying assumptions, and the timing provided for in the Solicitation Process, it is believed that the DIP Financing Agreement provides sufficient liquidity to fund the Applicant's operations and the costs of the CCAA Proceeding until February 25, 2024.

How the company's business and affairs are to be managed during the proceedings

45. The Proposed Monitor understands that provided that the Directors' Charge is granted, the Applicant's board of directors will remain in place to manage the business and affairs of the Applicant during the CCAA Proceeding. Subject to Court approval, the Applicant will also implement the KERP, which has been agreed with the DIP Lender, to assist in retaining key employees of the Applicant throughout the CCAA Proceeding.
46. As noted earlier in this Report, the DIP Financing Agreement also provides that the Applicant shall not make any changes to composition of the board of directors of the Applicant other than pursuant to a Court Order.

Whether the company's management has the confidence of its major creditors

47. The largest creditors of the Applicant are the Ad Hoc Group and Cargill.

48. Cargill has demonstrated its support for the management of the Applicant in its approval of the KERP.
49. The Ad Hoc Group's DIP proposal provided for a KERP, the milestones and allocation of which were to be determined at a later date. Consequently, it is unknown whether a KERP under the Ad Hoc Group's DIP proposal would include the various members of the Applicant's senior management team. However, the Monitor has not been informed by any member of the Ad Hoc Group that they wish to replace existing management at this time and their DIP proposal did not provide for management to be replaced.

Whether the loan would enhance the prospects of a viable compromise or arrangement being made in respect of the company

50. While section 11.2(4) of the CCAA refers to a "compromise or arrangement", given the variety of ways in which successful going-concern outcomes are now structured in proceedings under the CCAA, including asset sales, and "reverse vesting order" transactions, the Monitor is respectfully of the view that it is appropriate for the Court to take a broader view of this factor and expand it to consider these other approaches.
51. Without a DIP facility, the Applicant would, in the very near future, exhaust its available liquidity resources and be unable to pay its obligations as they become due, continue operations, maintain its assets, undertake the Solicitation Process or complete any transaction. The Proposed Monitor is of the view that approval of the DIP Financing Agreement will enhance the prospects of the business and operations of the Applicant being preserved and a successful going-concern outcome being achieved.

The nature and value of the company's property

52. The Applicant's assets are described in the Broking Initial Affidavit and consist primarily of the Scully Mine operation. The market value of the Applicant's property will be finally determined through the Solicitation Process.

53. Nothing has come to the attention of the Proposed Monitor in respect of the nature of the Applicant's property that, in the Proposed Monitor's view, requires particular consideration in connection with the DIP Charge.

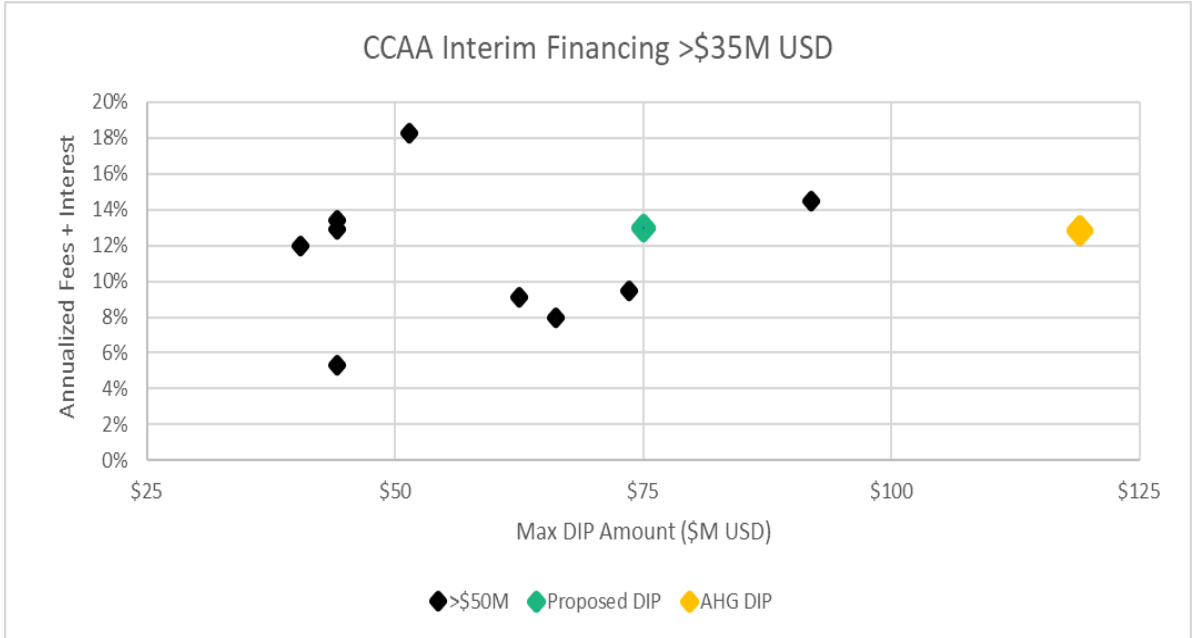
Whether any creditor would be materially prejudiced as a result of the proposed charge

54. The proposed DIP Facility would provide the Applicant the opportunity to undertake the Solicitation Process and to complete a transaction.
55. The proposed DIP Charge will secure the advances under the DIP Facility to a maximum of \$75 million, the fees and interest, the Post-Filing Credit Extensions limited to \$20 million and the DIP Lender Expenses. The advances under the DIP Facility would be limited to the Initial Advance of \$15.5 million prior to the comeback hearing.
56. The amount of the Initial Advance is based on the October 7 Forecast with a view to ensuring that the Applicant would have sufficient funds to operate until receipt of the next available advance under the DIP Financing Agreement, assuming approval is granted at the comeback hearing.
57. The DIP Financing Agreement is conditional on the DIP Charge being granted. The only alternative funding option that would be available to the Applicant would also require a DIP charge. Under the Ad Hoc Group DIP proposal, the DIP facility would have been substantially larger; the increased amount being necessary as the Advanced Payments Facility and the Onshore Agreement would have expired and been unavailable under the Ad Hoc Group DIP Proposal.
58. Any prejudice to the secured creditors that may result from the granting of a DIP charge is therefore reduced under the DIP Financing Agreement as compared to the alternative Ad Hoc Group DIP Proposal.

59. By letter dated October 6, 2024, the Ad Hoc Group communicated, amongst other things, certain concerns regarding the Applicant accepting DIP financing from the DIP Lender. Those stated concerns included potential prejudice to the Ad Hoc Group from such financing. The Proposed Monitor has taken note of the concerns expressed.
60. The Proposed Monitor is of the view that, in the circumstances of this case, no creditor would be materially prejudiced as a result of the proposed charge and that any potential detriment caused to the Applicant's creditors by the DIP Charge should be outweighed by the benefits that it creates.

Other potential considerations – Terms and Pricing

61. The Proposed Monitor has reviewed data on the terms of interim financings approved in proceedings under the CCAA based on information publicly available. A summary of such data in respect of interim financings approved from January 1, 2019, to August 31, 2023, is attached hereto as **Appendix B**.
62. Based on the information available, the Proposed Monitor has compared the cost of the DIP Facility to that of other approved interim financings. As illustrated in the charts below, the cost of the DIP Facility appears to be within the range of costs, in terms of annualized interest and fees, for interim financings of similar size approved in other CCAA proceedings:



63. Based on the foregoing, the Proposed Monitor is of the view that the terms of the DIP Financing Agreement are within market parameters in respect of interest and fees.

Other potential considerations – Alternatives Available

64. As noted earlier in this Report, two alternative DIP arrangements were available to the Applicant – the DIP Financing Agreement and the Ad Hoc Group DIP proposal.

65. A comparison of the costs, expenses and key terms and conditions of the two available alternative DIP options is attached as Confidential Exhibit “A” to the Bhandari Initial Affidavit. In summary, as compared to the Ad Hoc Group DIP proposal, the DIP Financing Agreement:

- (a) Requires a significantly smaller DIP Charge, thereby reducing any potential prejudice to creditors;
- (b) Has significantly lower costs, including lower aggregate interest, lower DIP fees and lower DIP Expenses;

- (c) Has significantly more favourable Permitted Variance parameters and similar tests;
 - (d) Provides for significantly less potential operational disruption through the continuation of the various existing Cargill arrangements, including the margin and hedging arrangements which would likely not be available under the Ad Hoc Group DIP; and
 - (e) Provides certainty in respect of the KERP.
66. For the reasons discussed above, the Proposed Monitor is of the view that in the current circumstances there is no better alternative to the DIP Financing Agreement at this time.

The Proposed Monitor's Recommendation

67. Based on the foregoing, the Proposed Monitor respectfully recommends that the Court grant the Applicant's request for approval of the DIP Financing Agreement and the granting of the DIP Charge.

THE PROPOSED DIRECTORS' CHARGE

68. The Applicant is seeking the granting of the Directors' Charge in the amount of \$4.6 million with priority over all claims against the property of the Applicant other than:
- (a) The Administration Charge; and
 - (b) Any person who is a "secured creditor" as defined in the CCAA that has not been served with notice of the Initial Application (provided that pursuant to the Proposed Initial Order, the Applicant is permitted to seek an Order at the "comeback hearing" or any other subsequent motion in the CCAA Proceeding granting priority to the Directors' Charge and the other court-ordered charges ahead of secured creditors (if any) who did not receive notice of the Initial Application).

69. As described in the Broking Initial Affidavit, the Applicant intends to seek an increase in the Directors' Charge to \$5.2 million at the comeback hearing.
70. The beneficiaries of the Directors' Charge, if granted, would be the directors and officers the Applicant. It is the Proposed Monitor's view that the continued support and service of the directors and officers during the CCAA Proceeding would be beneficial to the Applicant's efforts to preserve value and maximize recoveries for stakeholders. The Proposed Monitor has been informed that the directors and officers will not continue to serve unless the Directors' Charge is granted.
71. The quantum of the proposed Directors' Charge is based on estimated amounts for which directors could potentially have statutory personal liability that could be outstanding during the CCAA Proceeding:
 - (a) wages, salaries and applicable withholdings;
 - (b) outstanding Newfoundland Health and Post-Secondary Education Tax liabilities pursuant to an agreed payment plan by which payments come due after the filing date;
 - (c) sales taxes; and
 - (d) accrued vacation pay.
72. The quantum of the proposed Directors' Charge has been calculated in two parts:
 - (a) For the initial Stay Period under the Proposed Initial Order, if granted; and
 - (b) Following the Proposed Amended and Restated Initial Order, if granted at the comeback hearing.
73. The amount for wages and salaries increases in the Proposed Amended and Restated Initial Order calculation primarily as a result of including a full payroll period, rather than only ten days under the Proposed Initial Order calculation.

74. The Proposed Monitor notes that the directors and officers will only be entitled to the benefit of the Directors' Charge to the extent that they do not have coverage under any existing insurance policy, or to the extent that such coverage is insufficient to pay amounts for which the directors and officers are entitled to be indemnified pursuant to the provisions of the Proposed Initial Order.
75. Accordingly, the Proposed Monitor respectfully recommends that the Applicant's request for the Directors' Charge be granted by this honourable Court.

THE ADMINISTRATION CHARGE

76. The Applicant is seeking the granting of an Administration Charge in the amount of \$1 million in the Proposed Initial Order, with priority over all claims against the property of the Applicant other than any person who is a "secured creditor" as defined in the CCAA that has not been served with notice of the Initial Application. It is proposed that the Administration Charge remain the same at \$1 million in the Proposed Amended and Restated Initial Order.
77. The beneficiaries of the Administration Charge, if granted, would be the Monitor, the Monitor's Counsel, Greenhill, to the extent of their Monthly Advisory Fee and the Applicant's Counsel. The Proposed Monitor believes that it is appropriate that the proposed beneficiaries of the Administration Charge be afforded the benefit of a charge as they will be undertaking a necessary and integral role in the CCAA Proceeding.
78. As noted above, the approval of the Greenhill Engagement Letter (and the Transaction Fee) will only be before the Court at the comeback hearing. However, the inclusion of the Monthly Advisory Fee, which is an amount of \$125,000 is proposed to be included in the Administration Charge in the Proposed Initial Order. The Monitor has confirmed with Greenhill that they have received the Monthly Advisory Fee for October. Accordingly, there is no outstanding amount owing to Greenhill that would be secured by the proposed Administration Charge prior to the comeback hearing.

79. The Proposed Monitor has reviewed and considered the underlying assumptions upon which the Applicant has based the quantum of the proposed Administration Charge, the complexities of the CCAA Proceeding and the services to be provided by the beneficiaries of the Administration Charge and is of the view that the proposed quantum of the Administration Charge in the Proposed Initial Order is reasonable and appropriate in the circumstances.
80. Accordingly, the Proposed Monitor respectfully recommends that the Applicant's request for the Administration Charge be granted by this honourable Court.

The Proposed Monitor respectfully submits to the Court this, its Pre-Filing Report.

Dated this 9th day of October, 2023.

FTI Consulting Canada Inc.
In its capacity as Proposed Monitor of
Tacora Resources Inc.



Nigel D. Meakin
Senior Managing Director



Jodi Porepa
Senior Managing Director

Appendix A

The October 7 Forecast

Tacora Resources Inc.

Consolidated Cash Flow Projections

<i>(\$USD in thousands)</i>																						
Forecast Week Ending	15-Oct-23	22-Oct-23	29-Oct-23	05-Nov-23	12-Nov-23	19-Nov-23	26-Nov-23	03-Dec-23	10-Dec-23	17-Dec-23	24-Dec-23	31-Dec-23	07-Jan-24	14-Jan-24	21-Jan-24	28-Jan-24	04-Feb-24	11-Feb-24	18-Feb-24	25-Feb-24	20 Week	
Forecast Week	[1]	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	Total
Total Receipts	[2]	(807)	9,861	7,170	5,847	6,791	8,750	6,729	6,803	6,564	6,820	6,086	8,113	7,297	6,665	7,033	6,797	7,349	6,771	7,444	7,899	135,981
Operating Disbursements	[3]																					
Employees		(2,077)	(300)	(1,987)	(205)	(1,877)	(205)	(1,977)	(1,167)	(1,939)	(205)	(2,139)	(285)	(2,443)	(205)	(2,147)	(205)	(2,154)	(206)	(2,000)	(206)	(23,930)
Mine, Mill and Site Costs		(1,993)	(1,305)	(1,770)	(1,280)	(1,936)	(1,673)	(1,305)	(1,772)	(1,750)	(1,318)	(4,780)	(1,089)	(1,976)	(927)	(2,113)	(5,963)	(2,151)	(1,353)	(1,854)	(1,299)	(39,605)
Plant Repairs and Maintenance		(1,693)	(1,937)	(2,637)	(2,403)	(2,371)	(2,321)	(2,471)	(2,410)	(2,439)	(2,239)	(2,189)	(2,089)	(2,086)	(2,086)	(2,086)	(2,086)	(2,087)	(2,165)	(2,165)	(2,165)	(44,122)
Logistics		(5,097)	(1,066)	(1,199)	(4,675)	(1,243)	(1,616)	(1,066)	(1,889)	(4,114)	(1,066)	(1,733)	(1,199)	(4,562)	(1,067)	(1,067)	(1,200)	(4,827)	(1,068)	(1,245)	(1,068)	(42,065)
Capital Expenditures		(1,152)	(3,828)	(1,615)	(2,290)	(7,911)	(2,090)	(2,090)	(1,590)	(2,905)	(2,205)	(1,105)	(1,105)	(1,451)	(750)	(750)	(750)	(1,451)	(750)	(750)	(750)	(37,288)
Other		(566)	(619)	(1,079)	(400)	(400)	(400)	(400)	(608)	(400)	(400)	(633)	(400)	(400)	(400)	(987)	(513)	(400)	(400)	(400)	(455)	(10,263)
Total Operating Disbursements		(12,578)	(9,055)	(10,287)	(11,253)	(15,738)	(8,305)	(9,309)	(9,436)	(13,547)	(7,433)	(12,346)	(6,400)	(12,918)	(5,435)	(8,562)	(11,191)	(13,184)	(5,941)	(8,414)	(5,942)	(197,273)
Net Cash from Operations		(13,386)	806	(3,117)	(5,406)	(8,948)	445	(2,579)	(2,634)	(6,982)	(613)	(6,260)	1,713	(5,620)	1,230	(1,529)	(4,394)	(5,835)	830	(970)	1,957	(61,292)
Restructuring Legal and Professional Costs	[4]	(497)	(1,696)	(405)	(400)	(269)	(269)	(223)	(490)	(223)	(223)	(223)	(490)	(223)	(223)	(223)	(223)	(491)	(223)	(223)	(223)	(7,458)
KERP	[5]	-	(3,035)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(3,035)
NET CASH FLOWS		(13,882)	(3,925)	(3,521)	(5,806)	(9,216)	176	(2,802)	(3,124)	(7,205)	(835)	(6,483)	1,490	(6,111)	1,008	(1,752)	(4,617)	(6,326)	607	(1,193)	1,734	(71,784)
Cash																						
Beginning Cash Balance		12,272	13,890	9,965	15,806	10,000	10,000	10,176	13,428	10,000	10,835	10,000	10,000	11,123	10,000	11,008	15,077	10,000	10,000	10,607	9,964	12,272
Net Receipts/ (Disbursements)		(13,882)	(3,925)	(3,521)	(5,806)	(9,216)	176	(2,802)	(3,124)	(7,205)	(835)	(6,483)	1,490	(6,111)	1,008	(1,752)	(4,617)	(6,326)	607	(1,193)	1,734	(71,784)
DIP Advances/ (Repayments)	[6]	15,500	-	9,422	-	9,216	-	6,054	-	8,041	-	6,483	-	4,988	-	5,821	-	6,326	-	550	-	72,400
DIP Fees & Interest Payment	[7]	-	-	(59)	-	-	-	-	(304)	-	-	-	(367)	-	-	-	(460)	-	-	-	(540)	(1,730)
Ending Cash Balance		13,890	9,965	15,806	10,000	10,000	10,176	13,428	10,000	10,835	10,000	10,000	11,123	10,000	11,008	15,077	10,000	10,000	10,607	9,964	11,158	11,158
Memo: Total DIP Advances		15,500	-	9,422	-	9,216	-	6,054	-	8,041	-	6,483	-	4,988	-	5,821	-	6,326	-	550	-	72,400

Notes to the Consolidated Cash Flow Projections:

[1] The purpose of the Cashflow Projections is to estimate the liquidity requirements of Tacora Resources Inc. ("Tacora", or the "Company") during the forecast period. The forecast above is presented in US Dollars.

Any estimates in Canadian dollars have been translated at an fx rate of 1.35.

[2] Forecast Total Receipts are based on management's current expectations regarding productions and vessel shipments of iron ore concentrate (total tonnage) and price indices net of mark to market adjustments.

Receipts from operations have been forecast based on current payment terms, historical trends in collections and expected vessel shipment schedules.

[3] Operating disbursements include the following key categories:

Forecast Employee Costs are based on historic payroll amounts and future forecast payments.

Forecast Mine, Mill and Site Costs primarily include site costs based on forecast activity levels and known commitments including, utilities, fuel, and supplies and consumables.

Forecast Plant Repairs and Maintenance costs relate to Scully Mine. Plant repairs and maintenance also includes contract labour at the Scully Mine.

Forecast Logistics costs primarily include rail transportation costs as well as port-related payments.

Forecast Capital Expenditures include costs related to mine, milling, and other logistics / infrastructure improvements.

Forecast Other costs include environmental costs, security and other costs at the Scully Mine and corporate.

[4] Forecast Restructuring Legal and Professional Costs include legal and financial advisors associated with the CCAA proceedings and are based on estimates.

[5] Forecast Key Employee Retention Plan (KERP) consistent with the Initial Affidavit.

[6] Forecast DIP Advances/Repayments are consistent with the DIP term sheet. Forecast DIP Advances/Repayments are based on funding requirements and maintaining a minimum cash balance throughout the period.

[7] DIP Fees and Interest are calculated based on total draws.

Appendix B

Interim Financing Data

CCAA DIP Financing Tracking Sheet
DIP loan values in excess of \$35M USD
Updated through August 31, 2023

Company	Filing Date	DIP Structure (\$M USD) ¹	Interest Rate	Fee(s)	Maturity
1 LoyaltyOne Co. (dba AIR MILES*)	3/10/2023	\$ 51	6% + Base Rate	Upfront fee of 2% and standby fee of 1.25%	The earlier of: (i) the occurrence of any Event of Default (ii) five (5) business days after the trust established pursuant to the Combined Disclosure Statement and Plan.
2 DCL Corporation	12/20/2022	\$ 40	3% + Base Rate	N/A	The earlier of: (a) the Stated Maturity Date, March 31, 2023 (b) thirty (30) days after the entry of the Interim US Financing Order (c) ten (10) days after the entry of the Initial CCAA Order (d) the date of the substantial consummation of a plan of reorganization (e) the date of implementation of a plan of compromise or arrangement (g) the date the Loan Parties' file a motion seeking to convert to a chapter 7 (h) the date of conversion to chapter 7 (i) the appointment or election of a trustee under Chapter 11 of the Bankruptcy Code (j) the date the Loan Parties' file a motion seeking a termination or dismissal of any or all of the Bankruptcy Cases, or (k) the date of dismissal of any of the Bankruptcy Cases.
3 Just Energy Group Inc. (TSX:JE)	3/9/2021	\$ 92	13.0%	Commitment fee of \$1.25 million and origination fee of \$1.25 million.	12/31/2021
4 Mountain Equipment Co-operative	9/14/2020	\$ 74	2% + Prime	\$250,000 payable on the execution of the Interim Financing Credit Agreement and reasonable and documented expenses in connection with the Interim Financing Facility and Interim Financing Credit Agreement.	11/30/2020
5 Reitmans (Canada) Limited	5/19/2020	\$ 44	5% + Prime	The interim financing provides for: 1) a standby charge of 0.6% on amounts committed and not drawn; 2) a commitment fee of \$360k payable on court approval of the interim facility; and 3) reimbursement of the reasonable out-of-pocket expenses.	6/30/2021
6 Aldo Group	5/7/2020	\$ 44	6.5% + LIBOR	Standby charge of 1.25% on amounts committed and not drawn and commitment fee of \$600,000	5/1/2021
7 Dominion Diamond Mines	4/23/2020	\$ 44	5.3%	DMI shall pay all outstanding fees and expenses to date of the Existing Credit Facility Lenders, including legal and financial advisory expenses, via the initial draw under the Interim Facility.	10/31/2020
8 Jack Cooper Ventures	8/9/2019	\$ 63	3.5% + LIBOR	0.25% standby fee	12/31/2019
9 Hollander Sleep Products Canada Limited	5/23/2019	\$ 66	6.5%	\$1.35 million closing fee (1.5% of committed amount)	The earlier of: (a) the date that is one hundred fifty (150) days after the Filing Date, (b) the consummation of a sale of all or substantially all of the Debtors' assets, (c) if the Final Financing Order has not been entered, the date that is forty (40) days after the date of the First Day Hearing, (d) the Plan Effective Date of a Plan and (e) the Maturity Date (as defined in the Prepetition Term Loan Credit Agreement).

Footnote:

1. Canadian dollars have been converted to USD at a USD/CAD FX rate of 1.36.

Source: Insolvency Insider database and individual debtor CCAA websites & the applicable DIP term sheets.

Court File No.

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 OR ARRANGEMENT OF TACORA RESOURCES INC.

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

PROCEEDING COMMENCED AT
TORONTO

PRE FILING REPORT OF THE PROPOSED MONITOR

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