

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**

**THIRD REPORT OF THE MONITOR**

**OCTOBER 3, 2022**

# THIRD REPORT OF THE MONITOR

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## INTRODUCTION

1. On August 19, 2022, Trevali Mining Corporation (“**Trevali Corp.**”) and Trevali Mining (New Brunswick) Ltd. (“**Trevali NB**” and 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 appointed FTI Consulting Canada Inc. as Monitor in the CCAA Proceedings (the “**Monitor**”) and established a stay of proceedings (the “**Stay of Proceedings**”) in favour of the Applicants until August 29, 2022. The Stay of Proceedings has since been extended until and including October 6, 2022 by an Amended and Restated Initial Order (the “**ARIO**”) granted by this Honourable Court on August 29, 2022.
3. On September 14, 2022, this Honourable Court granted the following orders:
  - a. an order (the “**SISP Order**”) approving procedures for a sales and investment solicitation process (the “**SISP**”) and a sales agent agreement between the Trevali Corp. and National Bank Financial Inc. (the “**Sales Agent**”) and granting a charge to secure the Sales Agent’s fees; and
  - b. an order approving a key employee retention plan (the “**KERP**”) and granting a charge over the Applicants’ property in favour of the KERP employees as security for the amounts payable under the KERP in the amount of US\$800,000.
4. On September 29, 2022, Trevali filed a Notice of Application for an order (the “**Non-Applicant Stay Order**”) with respect to Trevali Corp.’s non-applicant subsidiary Rosh Pinah Zinc Corporation (Proprietary) Limited (“**RPZC**”) to stay the exercise of any “global” set-off rights against RPZC.

5. On October 3, 2022, Trevali filed a Notice of Application for an order (the “**Stay Extension Order**”) extending the Stay of Proceedings until and including October 18, 2022 (the “**Stay Extension**”).

## **PURPOSE**

6. The purpose of this Third Report is to provide this Honourable Court and the Applicants’ stakeholders with information with respect to:
  - a. the actual cash receipts and disbursements of the Applicants and their non-filing operating subsidiaries associated with the Rosh Pinah mine (“**Rosh Pinah**”) for the six-week period ended September 27, 2022 as compared to the Second Cash Flow Statement and Rosh Pinah Cash Flow Statement included with Second Report of the Monitor dated September 12, 2022; and
  - b. Trevali’s application for the Stay Extension Order.
7. The Monitor plans to address Trevali’s application for the Non-Applicant Stay Order in a subsequent report.

## **TERMS OF REFERENCE**

8. 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**”).
9. 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.

10. 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.
11. 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.
12. Unless otherwise stated, all monetary amounts contained herein are expressed in United States dollars to be consistent with the Applicants' primary reporting currency.
13. Capitalized terms not otherwise defined herein are as defined in the First Report of the Monitor in these CCAA Proceedings, dated August 26, 2022.

## **CASH FLOW VARIANCE ANALYSIS**

### **Trevali Corp. and Trevali NB**

14. The actual cash receipts and disbursements incurred by the Applicants as compared to the Second Cash Flow Statement for the period of August 18, 2022 to September 27, 2022, are summarized below:

<b>Cash Flow Variance Analysis</b>			
<b>Six Week Period Ended September 27, 2022</b>			
<i>(USD\$ thousands)</i>	<b>Actual</b>	<b>Forecast</b>	<b>Variance</b>
<b>Operating Receipts</b>			
Sales	-	-	-
Other Receipts	105	2	103
<b>Total Receipts</b>	<b>105</b>	<b>2</b>	<b>103</b>
<b>Operating Disbursements</b>			
Payroll and Benefits	1,638	1,141	(497)
Trade Accounts Payable	447	812	366
Utilities	148	209	61
Operating Leases	57	69	12
Insurance	167	167	0
Restructuring Professional Fees	997	1,146	149
Other Professional Fees	-	120	120
Other Operating Disbursements	21	274	254
<b>Total Operating Disbursements</b>	<b>3,475</b>	<b>3,940</b>	<b>465</b>
<b>Net Change in Cash from Operations</b>	<b>(3,370)</b>	<b>(3,938)</b>	<b>568</b>
<b>Financing</b>			
Intercompany Receipts / (Disbursements)	(4,600)	(4,600)	-
<b>Net Change in Cash from Financing</b>	<b>(4,600)</b>	<b>(4,600)</b>	<b>-</b>
<b>Effect of Foreign Exchange Transalation</b>	<b>(112)</b>	<b>-</b>	<b>(112)</b>
<b>Net Change in Cash</b>	<b>(8,082)</b>	<b>(8,538)</b>	<b>456</b>
<b>Opening Cash</b>	<b>18,589</b>	<b>18,589</b>	<b>-</b>
<b>Ending Cash</b>	<b>\$ 10,507</b>	<b>\$ 10,051</b>	<b>\$ 456</b>

15. Overall, the Applicants realized a favourable net cash flow variance of approximately \$456,000. The key components of the variance are as follows:

- a. other receipts primarily relate to a vendor refund at Trevali Corp.;
- b. payroll and benefits were higher than forecast primarily due to a timing difference with respect to the funding of payroll; and
- c. trade accounts payable, restructuring professional fees, other professional fees and other operating disbursements were lower than forecast due to timing differences.

16. A summary of the professional fee disbursements incurred in the CCAA Proceedings to date is set out in the table below:

<b>Professional Fee Summary</b>						
<b>Six Week Period Ended September 27, 2022</b>						
<b>Firm</b>	<b>Role</b>	<b>Fees</b>	<b>Disbursements</b>	<b>Taxes</b>	<b>Total</b>	
Blakes, Cassels & Graydon LLP	Counsel to Trevali	\$ 310	\$ 1	\$ 37	\$ 348	
FTI Consulting Canada Inc.	Monitor	139	-	7	146	
Dentons Canada LLP	Monitor's Counsel	39	-	5	43	
Alvarez & Marsal Canada Inc.	RCF Lenders' Financial Advisor	230	11	12	253	
Black Swan Advisors Inc.	Advisor to the Special Committee	181	3	22	206	
<b>Total</b>		<b>\$ 899</b>	<b>\$ 15</b>	<b>\$ 83</b>	<b>\$ 997</b>	

### **Rosh Pinah**

17. The actual cash receipts and disbursements incurred by Rosh Pinah as compared to the Rosh Pinah Cash Flow Statement for the period of August 18, 2022 to September 27, 2022, are summarized below:

<b>Cash Flow Variance Analysis</b>			
<b>Six Week Period Ended September 27, 2022</b>			
<i>(USD\$ thousands)</i>			
	<b>Actual</b>	<b>Forecast</b>	<b>Variance</b>
<b>Operating Receipts</b>			
Sales	\$ 6,239	\$ 4,495	\$ 1,745
Other Receipts	1,402	1,407	(5)
<b>Total Receipts</b>	<b>7,641</b>	<b>5,902</b>	<b>1,739</b>
<b>Operating Disbursements</b>			
Sales Expenses	283	378	95
Payroll and Benefits	1,881	1,935	54
Trade Accounts Payable	2,998	3,264	266
Utilities	563	1,042	479
Tax	202	143	(59)
Capital Expenditures	991	1,224	233
<b>Total Operating Disbursements</b>	<b>6,920</b>	<b>7,987</b>	<b>1,067</b>
<b>Net Change in Cash from Operations</b>	<b>722</b>	<b>(2,085)</b>	<b>2,807</b>
<b>Financing</b>			
Intercompany Receipts / (Disbursements)	4,600	4,600	-
<b>Net Change in Cash from Financing</b>	<b>4,600</b>	<b>4,600</b>	<b>-</b>
<b>Effect of Foreign Exchange Transalation</b>	<b>(300)</b>	<b>-</b>	<b>(300)</b>
<b>Net Change in Cash</b>	<b>5,021</b>	<b>2,515</b>	<b>2,506</b>
<b>Opening Cash</b>	<b>1,588</b>	<b>1,588</b>	<b>-</b>
<b>Ending Cash</b>	<b>\$ 6,609</b>	<b>\$ 4,103</b>	<b>\$ 2,506</b>

18. Rosh Pinah realized a favourable variance of approximately \$2.5 million during the period. The key components of the variance are as follows:
- a. sales receipts under the offtake agreement with Glencore International AG were approximately \$1.7 million higher than forecast as a result of, among other things, a settlement price of \$1.62/lb of zinc following a provisional sale price at \$1.47/lb; and
  - b. disbursements were approximately \$1.1 million lower than forecast which is primarily the result of timing differences that are expected to reverse in future periods.
19. Trevali is planning to file updated cash flow statements for the Applicants and Rosh Pinah in advance of the planned application to, among other things, approve a debtor-in-



possession financing facility (“**Interim Facility**”) to be heard on or before October 18, 2022.

## **STAY EXTENSION**

20. Trevali is seeking the Stay Extension in these CCAA Proceedings, extending the Stay of Proceedings until and including October 18, 2022.

21. Since the granting of the ARIO, Trevali has worked to maintain operational or site integrity at each of Rosh Pinah Mine, Caribou Mine and Perkoa Mine, including:

- a. continuing production at Rosh Pinah Mine;
- b. working to transfer Caribou Mine to care and maintenance; and
- c. continuing to assess available options at Perkoa Mine and attending to issues relating to the detention and trial of personnel in the area. Trevali has communicated regularly with the Monitor on these developments.

22. Trevali has also communicated with its stakeholders, including creditors, suppliers, the representatives of the RCF Lenders, and Glencore, as well as government agencies and kept the Monitor apprised or involved in such discussions.

23. Trevali has also worked to advance the SISP by:

- a. negotiating and entering into a sales agreement with the Sales Agent with respect to the SISP;
- b. obtaining the SISP Order, which, among other things, approved the SISP and an order approving the KERP; and
- c. commencing Phase 1 of the SISP, including the distribution of certain marketing materials.

24. Trevali has also considered its cash flow needs in consultation with the Monitor and worked to negotiate the terms of an Interim Facility with the RCF Lenders.
25. As discussed in this Report, Trevali has also filed an application seeking the Non-Applicant Stay Order.
26. The Monitor's comments with respect to Trevali's application for the Stay Extension Order are as follows:
- a. the Second Cash Flow Statement projected that the Applicants would have sufficient liquidity to fund their projected disbursements through the week ending October 4, 2022. However, as a result of the favorable cash flow variances at Rosh Pinah described in paragraph 18 above, the Applicants are expecting to have sufficient liquidity for the period of the proposed Stay Extension;
  - b. the Applicants require the Stay Extension to continue their restructuring efforts, including, among other activities, negotiating and securing an Interim Facility and seeking Court approval of same;
  - c. the Interim Facility being negotiated amongst the Applicants and the RCF Lenders is expected to be conditional on, among other things, resolution satisfactory to such lenders of the issue between Glencore AG and its affiliates ("**Glencore**") and the Applicants as to the potential exercise of set-off by Glencore against amounts owing under off-take agreements with the Applicants and their affiliates. Such resolution is anticipated to provide greater certainty with respect to forecast cash flows at Rosh Pinah;
  - d. the Applicants require the Stay Extension, in part, to preserve the status quo and allow them to pursue the resolution of this matter or to seek the Non-Applicant Stay Order which may provide the required clarity with respect to the Rosh Pinah cash flows;

- e. the Applicants require the Stay Extension in order to continue undertaking the SISP in conjunction with the Sales Agent and in accordance with the SISP Order;
- f. Trevali Corp. had five directors at the commencement of the CCAA Proceedings and, as indicated in press releases issued by Trevali, four of the directors have subsequently resigned. Mr. Russell Ball remains as Trevali Corp.'s sole remaining director and is expected to continue his role and provide governance to the Applicants during the course of the SISP;
- g. Trevali's overall prospects of effecting a viable restructuring will be enhanced by the Stay Extension; and
- h. the Applicants are acting in good faith and with due diligence.

27. Based on the forgoing, the Monitor supports Trevali's application for the Stay Extension Order.

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All of which is respectfully submitted this October 3<sup>rd</sup>, 2022.

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



Tom Powell  
Senior Managing Director



Mike Clark  
Senior Director