2022 01G 0709

IN THE SUPREME COURT OF NEWFOUNDLAND AND LABRADOR

IN BANKRUPTCY AND INSOLVENCY

IN THE MATTER OF an application of Grant Thornton Limited, as Court- Appointed Monitor of Canada Fluorspar (NL) Inc., Canada Fluorspar Inc., and Newspar (collectively, "**CFI**" or the "**Company**"); and

IN THE MATTER OF the *Companies Creditors Arrangement Act* R.S.C., 1985 c. C-36 as Amended (the "**CCAA**")

SEVENTH REPORT OF GRANT THORNTON LIMITED, IN ITS CAPACITY AS MONITOR UNDER THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, C. C-36 OF CANADA FLUORSPAR (NL) INC. AND CANADA FLUORSPAR INC. AND NEWSPAR.

February 15, 2023

GrantThornton

Grant Thornton Limited,
Court Appointed Monitor

Suite 300 - 15 International Place
St. John's, NL A1A 0L4

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INTRODUCTION

1. On February 21, 2022, upon the application of PricewaterhouseCoopers Inc., in its capacity as court-appointed receiver and manager of Bridging Finance Inc. and Bridging Income Fund LP (collectively referred to as "**Bridging**"), Grant Thornton Limited ("**GTL**") was appointed as Interim Receiver (the "**Interim Receiver**") of all the current and future assets, undertakings and properties (the "**Property**") of Canada Fluorspar (NL) Inc. and Canada Fluorspar Inc. by Order of the Supreme Court of Newfoundland and Labrador (the "**Court**").

2. The Interim Receivership Order authorized the Interim Receiver, among other things, to:

   a) receive, preserve, protect and maintain control over the Property;

   b) to retain or hire any employees on behalf of the Company;

   c) to report to, meet with and discuss with such Affected Persons (as defined in the Interim Receivership Order) as the Interim Receiver deems appropriate;

   d) to utilize monies on hand or borrowed by the Interim Receiver to fund payments of employee payroll obligations, rent, insurance, utilities, and other obligations determined by the Interim Receiver to be integral to the preservation of the Property;

   e) to commence proceedings for the Company pursuant to the *Bankruptcy and Insolvency Act* ("**BIA**") or the *Companies' Creditors Arrangement Act* ("**CCAA**"); and

   f) to report to the Court and the creditors of CFI regarding the status of the business and financial affairs of CFI, including its assets, liabilities, accounts payable and other matters deemed relevant by the Interim Receiver.

3. On March 8, 2022, the Interim Receiver made application to commence proceedings pursuant to the CCAA and the Court issued an Initial Order on March 11, 2022. Grant Thornton Limited was appointed Monitor ("**Monitor**").

4. The Initial Order imposed a stay of proceeding against Canada Fluorspar (NL) Inc., Canada Fluorspar Inc., and Newspar (a General Partnership) (collectively referred to as the "**Company**" or "**CFI**").

5. The Initial Order granted an initial stay of proceedings and authorized the Monitor, among other things, to:

a) Preserve and protect the Business and Property of CFI excluding certain property in favour of HSBC Bank of Canada ("**HSBC**");

b) Providing the Monitor with certain enhanced powers;

c) Approving the debtor in possession financing to allow CFI to continue to operate in the ordinary course pending the comeback hearing; and

d) Setting down the comeback hearing for March 18, 2022 at 10am NL Time.

6. On March 18, 2022 (Court order is dated March 21, 2021), the Court issued an Amended and Restated Initial Order ("**ARIO**") which affirmed the terms of the Initial Order and authorized the Monitor, among other things:

a) Authority to file, if deemed appropriate, a plan of compromise and arrangement on behalf of the Company;

b) Authority to implement operational changes and pursue restructuring opportunities on behalf the Company;

c) Authority under s. 32 of the CCAA to disclaim or rescind agreements for real property;

d) Granted an extension of the stay of proceedings to July 10, 2022;

e) Empowered to run a Sales and Investment Solicitation Process ("**SISP**"), with the terms being outlined in the SISP Process on behalf of the Company and approved by the Court via a SISP Order;

f) Provided enhanced powers within the CCAA due to the directors of the Company resigning and there being no officers;

g) Authorized an increase to the DIP Financing Agreement to borrow on behalf of the Company in accordance with the DIP Financing Agreement.

7. On June 10, 2022, the Monitor made application to the Court to extend the stay of proceedings and extend the SISP process. The Court issued an Order regarding the SISP, an extension of the stay of proceedings and authorized the Monitor, among other things:

a) Approved of the Monitor's activities to the date of the Third Report of the Monitor of May 30, 2022;

b) Granted an extension of the stay of proceedings to September 2, 2022;

c) Granted and declared that pursuant to section 5(5) of the *Wage Earners Protection Act* ("**WEPPA**") the Company's former employees meet the criteria prescribed by section 3.2 of the *Wage Earner Protection Program Regulations*, SOR/2008-222 and are individuals to whom the WEPPA applies as of March 18, 2022;

d) Granted approval of amendments to the SISP Order; and

e) Granted approval of amendments to the ARIO Order.

8. On August 24, 2022, the Monitor made application to the Court for, amongst other things, an extension of the stay of proceedings and to extend the SISP process. The purpose of the second extension was to provide additional time for the Monitor to finalize the Definitive Agreements as required by the SISP Order. The Court issued an Order that, among other things:

a) Approved the Monitor's activities to the date of the Fourth Report of the Monitor of August 24, 2022;

b) Granted approval of amendments to the SISP Order;

c) Granted approval of amendments to the ARIO Order; and,

d) Granted an extension of the stay of proceedings to October 17, 2022.

9. On October 6, 2022, the Monitor made application to the Court for, amongst other things, an extension of the stay of proceedings to February 28, 2023. The purpose of the third extension was to provide additional time for the Monitor to close the proposed transaction and proceed to terminating these CCAA proceedings as contemplated in the Fifth Report of Grant Thornton Limited in its Capacity as Monitor (the "**Fifth Report**"). However, as a result of a Material Adverse Change (**"MAC**") this application was withdrawn.

10. On October 12, 2022, the Monitor filed with the Court a MAC as described in the Sixth Report of Grant Thornton Limited in its Capacity as Monitor (the "**Sixth Report**") as the previously selected successful bidder had not provided the Monitor a top up of the deposit as contemplated in the proposed transaction in the Fifth Report. The purpose of the application or an extension to February 26, 2023 was to determine next steps in consultation with the DIP Lenders. On the same date, the Court issued an Order that, amount other things:

a) Approved the Monitor's activities to the date of the Fifth Report;

b) Granted approval of amendments to the ARIO Order; and

c) Granted an extension of the stay of proceedings to February 26, 2023.

11. A copy of the Order regarding the Amended and Restated Initial Order – Amendment #3 dated October 12, 2022 is attached hereto as **Appendix "A"**.

12. The preceding reports of Grant Thornton Limited as Interim Receiver and Monitor, and all other information in respect of the interim receivership, and all other information in respect to the CCAA proceeding, are posted on the Interim Receiver's and Monitor's website at www.GrantThornton.ca/CFI. Readers are encouraged to read the following reports of Grant Thornton Limited, the materials filed with the court in relation to the applications, and the orders of the Court to provide additional information:

Reports to the Court

a) First Report of Grant Thornton Limited in its capacity as Interim Receiver and Proposed Monitor dated March 8, 2022;

b) Second Report of Grant Thornton Limited in its capacity as Monitor dated March 15, 2022;

c) Third Report of Grant Thornton Limited in its capacity as Monitor dated May 30, 2022;

d) Fourth Report of Grant Thornton Limited in its capacity as Monitor dated August 24, 2022;

e) Fifth Report of Grant Thornton Limited in its capacity as Monitor dated October 6, 2022; and

f) Sixth Report of Grant Thornton Limited in its capacity as Monitor dated October 12, 2022.

Court Orders

a) Interim Receivership Order dated February 21, 2022, including reasons for judgement

b) CCAA Initial Order dated March 11, 2022, including reasons for judgement

c) ARIO dated March 21, 2022, including reasons for judgement

d) Order approving the SISP dated March 21, 2022

e) Order approving the Revised SISP, Amended and Restated Initial Order – Amendment #1, and WEPP eligibility dated June 10, 2022

f) Order approving the Amended and Restated Initial Order – Amendment #2 dated August 30, 2022

g) Order approving the Amended and Restated Initial Order – Amendment #3 dated October 12, 2022

13. On March 25, 2022, on application by HSBC Bank Canada, the Court appointed Deloitte Restructuring Inc. ("**Deloitte**") as receiver over the accounts receivable of the Company. Stakeholders wishing additional information on that proceeding are encouraged to contact Deloitte.

14. This is the Seventh Report of the Monitor.

PURPOSE OF THE REPORT

15. The purpose of this report (the "**Seventh Report**") is to inform the Court of the following:

(a) The activities of the Monitor since October 12, 2022, the date of the Sixth Report;

(b) Advise the Court as to the Monitor's efforts to solicit additional offers and acceptance of one of these new offers;

(c) Seeking the following Orders:

(i) Approving this Seventh Report, the activities of the Monitor and its counsel;

(ii) Approving of the Second Confidential Report of the Monitor ("**Second Confidential Report**");

(iii) Granting a Sealing Order of the Second Confidential Report; and

(iv) Granting an extension to the stay of proceedings to May 31, 2023.

TERMS OF REFERENCE

16. In preparing this Seventh Report, the Monitor has relied upon unaudited financial information, certain Company's records, financial information and projections, and

discussions with the Management of the Company, and its legal advisors. While the Monitor reviewed various documents provided by the Company and its legal advisors (including, among other things, unaudited internal financial statements and financial projections) and believes that the information therein provides a fair summary of the transactions as reflected in the documents, such work does not constitute an audit or verification of such information for accuracy, completeness or compliance with Generally Accepted Accounting Principles ("**GAAP**") or International Financial Reporting Standards ("**IFRS**"). Accordingly, the Monitor expresses no opinion or other form of assurance pursuant to GAAP or IFRS with respect to such information.

17. Some of the information used in preparing this Seventh Report consists of financial projections, including the Cash Flow Forecast. The Monitor cautions that these forecasts are based upon assumptions about future events and conditions that are not ascertainable. The Company's actual results may vary from the Cash Flow Forecast, even if the Hypothetical and Probable Assumptions (defined herein) contained therein materialize, and the variations could be significant. The Monitor's review of the future oriented information used to prepare this Seventh Report did not constitute an audit of such information under Generally Accepted Auditing Standards, GAAP or IFRS.

18. In the course of its mandate, the Monitor has assumed the integrity and truthfulness of the information and explanations presented to it by the Company, its Management and other stakeholders, within the context in which such information was presented. To date, nothing has come to the Monitor's attention that would cause it to question the reasonableness of these assumptions, or accuracy of the information. The Monitor has requested that Management bring to its attention any significant matters which were not addressed in the course of the Monitor's specific inquiries. Accordingly, this Seventh Report is based solely on the information (financial or otherwise) made available to the Monitor by the Company and its Management.

19. This Seventh Report has been prepared for the use of this Court and the Company's stakeholders as general information relating to the Company and to assist the Court in determining whether to grant the relief sought by the Company. Accordingly, the reader is cautioned that this Report may not be appropriate for any other purpose. The Monitor will not assume responsibility or liability for losses incurred by the reader as a result of the

circulation, publication, reproduction or use of this Seventh Report contrary to the provisions of this paragraph.

20. All references to dollars are in Canadian currency unless otherwise noted.

BUSINESS, PROPERTY, AND COLD IDLE

21. Since its appointment, the Monitor, has continued to preserve and protect the Company's business and property. Due to the failure of the previously selected successful bidder, as detailed in the MAC and Sixth Report, the Monitor proceeded to transition the mine and its assets to Cold Idle as follows:

a) Reduced headcount of employees from 36 to 15 for a period of three weeks, with a further reduction to 11 employees remaining. Four mill technicians were maintained for three weeks to assist with winterization ("**Cold Idle Transition Team**");

b) Maintained internet connection throughout site as well as power to any existing security cameras;

c) Oversaw the Cold Idle Transition Team winterization of the Warehouse as follows:

   i. All power shutdown with the exception of cameras and the air monitoring station;

   ii. Water shutoff, drained and plumbing filled with antifreeze;

   iii. All entrances locked and secured; and

   iv. Installed thermometers to monitor temperature inside of building.

d) Oversaw the Cold Idle Transition Team winterization of the Clarke's Pond Office, Old Lab, Core Shed, Mobile Maintenance, Welding Shop and Administrative Building as follows:

   i. All power shutdown;

   ii. Water shutoff, drained and plumbing filled with antifreeze;

   iii. All entrances locked and secured; and

iv. Installed thermometers to monitor temperature inside of building.

e) Oversaw the Cold Idle Transition Team winterization of the Mill Dry as follows:

i. All power shutdown;

ii. Water shutoff, drained and plumbing filled with antifreeze;

iii. Water pump below building has been removed;

iv. All entrances locked and secured; and

v. Installed thermometers to monitor temperature inside of building.

f) Oversaw the Cold Idle Transition Team winterization of the Lab building as follows:

i. All power shutdown with the exception of a mini-split heat pump to maintain moderate heat for the scientific instruments;

ii. Water shutoff, drained and plumbing filled with antifreeze;

iii. All entrances locked and secured; and

iv. Installed thermometers to monitor temperature inside of building.

g) Power and heat have been maintained in the substations and UPS buildings to prevent condensation buildup on electrical systems and corrosion of batteries;

h) Oversaw the Cold Idle Transition Team winterization of the Mill as follows:

i. Most power has been shutdown with the exception of a mini-split heat pump and a few small heaters in the control room to maintain moderate heat for the computer systems;

ii. Fully winterized flocculant skid used to treat water in the Tailings Management Facility;

iii. Drained all pump and water lines with valves left open for airflow;
iv. All compressors powered down;
v. All exhaust fans powered down;
vi. All pumps powered down with water drained;
vii. Ball mill was jacked up will all internal balls removed. An external contractor was hired to assist with this process;
viii. Installed thermometers to monitor temperature inside of building.

i) Water pump located at Tarefare was shutdown. No fresh water is actively being pumped to site;

j) The Security Kiosk and Mine Dry are the only occupied buildings on site;

k) Power, internet and heat has been maintained at the Security Kiosk for use by employees on shift. Washcart washroom facilities have been decommissioned, septic tank pumped out and plumbing filled with antifreeze as a result of Tarefare water being shutdown. Security employees use the washroom facilities located at the Mine Dry;

l) Power, internet, heat and water has been maintained at the Mine Dry. Water is maintained by way of its own water tank, which is replenished from Upper Island Pond should the tank become low;

m) The main gate to Blue Beach has been secured using jersey barriers and is regularly patrolled by Security. Most items were removed from Blue Beach to be stored at the mine site, with the exception of:

i. Fencing around the perimeter;
ii. Certain minor pieces of equipment;
iii. Exterior light poles; and
iv. Life ring buoys for safety.

n) Security employees regularly patrol the above noted assets during both day and night shift with 24/7 coverage.

22. The Monitor has continued to maintain:

a) Security – Maintained the existing Company security processes and procedures, and developed and continues to maintain enhanced physical security protocols for the mine sites and IT security enhancements;

b) Insurance – Successfully renewed the Company's insurance policies with the exception of Directors and Officers Liability Insurance (there are no directors or officers), and insurance over finished good inventory in transit (the mine is in cold idle and no further sales of inventory are contemplated). Details of the renewal are further described later in this Seventh Report;

c) Utilities and services – Arranged for the continued provision of services from utilities and other vendors, including new payment processes and credit terms (if applicable). The Monitor has paid for all services rendered to date in the normal course;

d) Employees – Reduced employee headcount to 11 for Security, environmental monitoring, the operation of mobile equipment and support the SISP process. Details on the employee reduction and maintained employees are further described later in this Seventh Report;

e) Operations – In conjunction with Company management, participate weekly updates and planning processes as part of the cold idle program. The weekly operational report is shared with the Bridging and the Province of Newfoundland and Labrador (together the "**DIP Lenders**");

f) Inventory of certain assets – Monitor has worked to complete an inventory of capital assets, leases, supply agreements, etc. in support of its estate communication processes, the SISP, and for use by other stakeholders in the process;

g) Statutory Filing – Monitor has continued to communicate with, file all statutory reports, and make all required payments with/to Canada Revenue Agency, Service Canada (for the WEPP Program), Workplace NL, Department of Industry Energy and Technology (“**DIET**”), Department of Fisheries and Oceans, and Environment Canada;

h) DIP Lenders – Monitor has continued to report to the DIP Lenders in accordance with the DIP Financing Agreement without issue; and

i) Reporting to Creditors and Other Stakeholders – Monitor has continued to respond to creditor and stakeholder queries, attend meetings with various creditors and stakeholders, and has continued to maintain the estates website by posting updated information as it becomes available.

ENVIRONMENTAL ACTIVITIES

<u>Open Pits</u>

23. The Company has allowed for both Grebe’s Nest Pit and Center Pit to flood with water levels being monitored weekly. Current water levels for both pits are 84 meters and 77 meters, respectively.

24. The flooding of the open pits is in line with the Company’s Initial Mine Rehabilitation and Closure Plan, as prepared by Knight Piesold (“**KP**”), which recommended both pits to be flooded gradually over time to an elevation of 116 meters to be in line with sea level.

<u>Tailings Pond</u>

25. Throughout the Care and Maintenance phase, from the date of the Monitor’s appointment to October 12, 2022, the Company had been actively treating and discharging the water in the Tailings Pond to the Events Pond and Polishing Pond.

26. The current water level of the Tailings Pond is 109 meters, a substantial decrease from 116 meters on and around March 12, 2022.

27. On October 17, 2022, the Company informed the Monitor that a small tear in the tailings' liner was discovered by staff on routine patrols. The Company immediately informed the Engineer of Record, Alex MacIntyre with KP, of the tear and requested guidance on possible solutions.

28. The Company has been conversing with KP to identify the cause of the tear and possible repair solutions.

29. Water currently flows through the tear into the tailings pond (not into the environment) during heavy rainfall. The Company has performed numerous investigative steps in consultation with KP in an attempt to determine the cause of the tear.

30. The current plan, as suggested by KP, is to monitor and wait to perform the repair in the Spring 2023 when the weather improves. Fixing the liner in the winter months is not ideal as the snow cover and freezing conditions impairs the repair of the liner. KP and another contractor plan to be on site in the spring of 2023 to determine the source of the water flow and propose on a plan to repair the tear.

31. Both the Company and KP feel that the water level in the Tailings Pond will not increase before this time to the level of the tear. Currently, the only water input into the Tailings Pond is natural precipitation. In addition, various trenches have been dug from the tear in the liner into divert water to the middle of the Tailings Pond.

32. Estimated costs of the repair have been included in the Monitor's cash flow forecast, as detailed later in this Seventh Report.

<u>Events Pond and Polishing Pond</u>

33. As a part of the transition to cold idle, the Company has not been treating water from the Tailings Pond to the Events and Polishing Ponds. Currently, the only water input in the Events and Polishing Ponds are rainwater and snow melt.

34. A minimum water level is maintained in both the Events Pond and Polishing Pond for fire suppression in the case of an emergency with the Mill or other surrounding buildings.

35. The Company regularly tests the Total Suspended Solids ("**TSS**") levels, as per the Certificate of Approval ("**CofA**"), issued by the Department of Environment and Climate Change of the Province of Newfoundland and Labrador on August 17, 2022.

36. As the water level rises, or if significant rainfall is expected in the coming days, the Company will verify that the TSS levels are within acceptable range for the water to be discharged to the environment, and if so, will allow discharge to the environment.

Water Testing and Air Quality Monitoring

37. The Company has continued to test and monitor various bodies of water around site, as directed in the CofA. The results of these tests are provided the Department of Environment and Climate Change as required.

38. The Company has no uncorrected water testing environmental non-compliances since transitioning to cold idle.

39. The Company also continues to maintain the Air Quality Monitoring station as required by the CofA.

40. The Company notes that on its most recent audit performed by the Department of Environment and Climate Change that the NOx monitor failed and is currently operating outside of acceptable performance limits.

41. The Company is currently obtaining quotes from independent contractors to repair the NOx monitor.

INSURANCE RENEWAL

42. In October 2023, the Company began to engage with AON and BFL Canada the Company's existing insurance brokers regarding a renewal of the various insurance policies maintained by the Monitor since its appointment. In addition, AJ Gallagher was retained to source automobile insurance coverage. All are experienced insurance brokers with international reach.

43. The Company's various insurance policies expired on November 30, 2022, except for the automobile insurance policy which was to expire on November 21, 2022.

44. The Company was unable to successfully renew the automobile insurance policy before expiry with the existing brokerage and underwriter. The Company proceeded to bind automobile insurance with a different broker and underwriter that now expires on November 30, 2023.

45. The Company successfully renewed all existing insurance policies that were in place at the date of the appointment of the Monitor, with the exception of the Directors and Officers Liability Insurance (there are no directors or officers), insurance over finished good inventory in transit (called Charter insurance - the mine is in cold idle and no further sales of inventory are contemplated), and Crime coverage. All property of the Company is covered by insurance coverage, and the Company is covered by Liability coverage.

46. All insurance policies have been renewed for a one-year term to November 30, 2023 with the exception of 72% of the property insurance which will expire March 31, 2023.

47. Certain underwriters of the property insurance, representing 72% of participation, were unwilling to support a full renewal of the property insurance for a one-year term due to the insolvency proceeding. The Company was able to secure an extension of the existing underwriters to March 30, 2023. The remaining 28% of the coverage was renewed for a full year.

48. To support the insurance renewal the Company, and Monitor, prepared additional reporting to the underwriters on activities completed to move the mine into cold idle, cold idle maintenance plans, fire suppression and emergency response, and security planning.

49. The Company is currently working with its insurance broker to attain property insurance for the 72% participation that expires on March 31, 2023.

50. The Monitor has pre-paid the above noted insurance policies up front for their entire term.

51. The Monitor is of the opinion that all coverage renewed and obtained is sufficient and reasonable in the circumstances.

CREDITORS

52. The Monitor has, and continues, to engage with all significant creditors and stakeholders in the CCAA proceeding by responding to queries when possible in a timely and factual manner.

53. Secured Creditors – Bridging and the Province of Newfoundland and Labrador ("PNL") – The Monitor has provided regular updates to Bridging and PNL on operational and the financial matters in the estate pursuant to the DIP Loan agreement. In addition, the Monitor has responded to all queries to the satisfaction of Bridging and PNL.

54. HSBC Bank of Canada ("HSBC") – The CCAA proceeding has carved out the Company's accounts receivable and those assets are being dealt with by Deloitte. The Monitor has continued to cooperate with Deloitte in furtherance of its mandate, and Deloitte has cooperated with the Monitor in furtherance of its mandate.

55. Unsecured – The Monitor continues to manage an email address to engage with stakeholders in the proceeding (canadafluorspar@ca.gt.com). That address is monitored, and queries responded too. In addition, the Monitor has created a website for stakeholders on this proceeding at www.grantthornton.ca/cfi. This website is updated regularly.

56. Employees – The Monitor has created a section on the estate's website dedicated to employees and posts responses to employee related questions, and other updates.

57. Equipment leases – The Monitor has engaged with the various leasing companies for equipment and has made satisfactory arrangements with the majority of them. Further details are:

a) The Monitor continues to maintain lease payments to 2 lease agreements detailed in the Fourth Report:

   i. Lease agreements with Ford Credit Canada Leasing for a 2020 Ford F150 and a 2020 Ford F250.

b) The Monitor has also been in communication with Komatsu International (Canada) Inc. ("**Komatsu**"), beneficiary of 13 lease agreements for various equipment with the Company. Komatsu has agreed to suspend future payments on these lease agreements through the SISP;

c) On October 12, 2023, Caterpillar Financial Services Limited ("**Caterpillar**"), beneficiary of 3 lease agreements for various equipment with the Company, requested of the Court to have its equipment released from the Company's possession:

   i. The Monitor investigated this request and issued Form 4 – Notice by Debtor Company to Disclaim or Resiliate an Agreement (a "**Form 4**") on November 7, 2022 by way of registered mail and also on November 14, 2022 by way of email.

A copy of this notice and proof of delivery is attached hereto as **Appendix "B"**.

ii. Upon receiving the above noted Form 4, Caterpillar proceeded to retrieve its equipment on November 15, 2022.

iii. The Monitor received a Notice of Disposition from Caterpillar, by way of prepaid ordinary mail. A copy of this notice is attached hereto as **Appendix "C"**; and

iv. The Monitor has not received any further correspondence or communication regarding the status of the disposition of the retrieved equipment.

d) The Monitor has ceased payments on the following lease and financing agreements:

i. Financing agreement with Navstar Capital (Bank of Montreal) for the purchase of a 2020 International Truck and a 2020 Tremcar 1000LT Tank, with the last payment by the Monitor being made on October 6, 2022;

ii. Financing agreement with Meridian OneCap Credit Corp. for the purchase of a 2019 Takeuchi Mini Excavator, with the last payment by the Monitor being made on October 6, 2022;

iii. Financing agreement with De Lage Landen Financial Services Canada Inc. ("**DLL**") for the purchase of two 2021 Takeuchi TL8CRWH Track Loaders, with the last payment by the Monitor being made on October 6, 2022; and

iv. Lease agreements with DLL for the rental of a MX3051, two MX3071 and a MX4071 printers, with the last payments by the Monitor being made on October 6, 2022.

e) The Monitor had previously classified the above noted financing agreements as lease agreements in previous reports of the Monitor. Since the date of the Sixth Report, the Monitor has reviewed these agreements with its legal counsel who have determined that these are financing agreements or Purchase Money Security Interests ("**PMSI**");

f) It is of the Monitor's opinion, and of its legal counsel, that due to these agreements being PMSI's, the beneficiary creditors are stayed under the current stay of proceedings. Furthermore, it is of the Monitor's opinion, and of its legal counsel, that the DIP Lender's would have a priority charge on any equity associated with this equipment.

g) Since the Monitor last remitted payment on the PMSI's, the equipment has been parked with minimal movement around site.

h) To date, DLL has not retrieved their printers from site.

i) The Monitor notes that previous lease agreements were disclaimed by way of issuing a Form 4 on May 19, 2022 which have also not been retrieved by DLL.

j) The Monitor has not been made aware of any creditor seeking to dispute any disclaimers and has not received any notice that any of the lessors intend to dispute the disclaimer.

58. Supply Agreements – The Company had entered into various supply agreements with customers for the sale of acid grade fluorspar, and certain supply agreements with vendors. It is the Monitors view that claims, if any, can be dealt with in any claims process should one be ordered by the Court.

THIRD PARTY ASSETS

59. The Monitor developed a process to receive and evaluate claims from stakeholders for the return of property owned by third parties using Form 74 of the *Bankruptcy and Insolvency Act*. The Monitor has received and accepted, or partially accepted claims for reclamation of property owned by:

a) Air Liquide Canada Inc.;

b) T R Excavating Inc.;

c) Blue Water Newfoundland Ltd.;

d) GFL Environment Inc.;

e) Modspace Financial Services, Canada;

f) General Auto and Industrial (operating as NAPA Auto Parts 6305) ("**NAPA**");

g) SMS Equipment Inc.;

h) Weir Minerals Canada Inc. ("**Weir**");

i) RJG Construction Ltd; and

j) St. Lawrence Area Trails Association.

60. The assets subject to these claims have been returned to their owners. Details are noted in the Monitor's previous reports.

61. Since the date of the Sixth Report, the following owners have retrieved their property as released by the Monitor by way of accepting their property claim submitted:

a) SLATA retrieved all of its property from site on October 7, 2022. A copy of confirmation that all property was retrieved, as well as the release letter and evidence of delivery of said letter by way of registered mail, is attached hereto as **Appendix "D"**;

b) Weir retrieved all of its property from site on November 29, 2022. A copy of confirmation that all property was retrieved, as well as the release letter and evidence of delivery of said letter by way of registered mail, is attached hereto as **Appendix "E"**; and

c) NAPA retrieved all of its property from site on December 21, 2023. A copy of confirmation that all property was retrieved, as well as the release letter and evidence of delivery of said letter by way of registered mail, is attached hereto as **Appendix "F".**

62. Since the date of the Sixth Report, the Monitor has not received any further property claims.

63. As mentioned in the Fifth Report, the Monitor had not received a property claim from Atlantic Explosives Limited ("**AEL**") or Brenco High Voltage Solutions ("**Brenco**") and proceeded to issue letters, dated September 8, 2022, acknowledging their ownership of their respective property. To date, the Monitor has not received a response from either AEL or Brenco. As such, their respective property remains on site as of the date of this

Seventh Report. This will not impact any transaction as this asset will be included with the Excluded Assets.

EMPLOYEES AND CONTRACTORS

Employees

64. Since the date of the Sixth Report, the Company has completed its transition from care and maintenance mode to cold idle.

65. Beginning on October 12, 2023, the Monitor has terminated 24 employees as follows:

Date of Termination	Active Employees Terminated
October 12, 2022	20
October 28, 2022	4
Total	**24**

66. As of the date of this Seventh Report, there are 11 employees employed with the Company.

67. Of the remaining employees, five rotate shifts as Security with the assistance of three mill technicians. In total, the Company has eight employees performing security duties.

68. The Monitor retained the three mill technicians in the event maintenance was required on the mill or to assist a new owner operator with restarting the mill. Two of these technicians are temporarily away pursuing further training to return early April 2023.

69. The Monitor considers the current work force level of 11 is what is required to continue to preserve and protect the business and assets of the Company in cold idle.

70. No further reductions are anticipated; however, the Monitor will continue to evaluate this need, and the circumstances of the business and its assets, and retain and employ those parties whose experience and skill sets are required to continue to preserve and protect the business and assets for the benefit of the stakeholders.

71. On June 10, 2022, this Court approved an Order concerning the WEPP eligibility of terminated employees.

72. Since the date of this Order, the Monitor has filed with Service Canada all Trustee Information Forms ("**TIF**") for employees who have filed a proof of claim with the Monitor.

73. In total, 251 eligible employees have submitted a proof of claim with the Monitor. The Monitor has filed the required TIF's with Service Canada for these employees.

74. As of the date of this report, 9 eligible employees have not submitted a proof of claim with the Monitor. The Monitor will file the TIF with Service Canada for these employees when a proof of claim form has been submitted.

<u>Contractors</u>

75. On October 5, 2022, the Monitor gave notice to terminate the Services Contract with Box L Mining and Ranching LLC. Box L Mining and Ranching LLC provided services to the Company as a Business Optimization Consultant, as well as operating as a General Manager. Pursuant to the Services Contract, the agreement can be terminated by either party, being Box L Mining and Ranching LLC or the Company, by providing 30 days' notice. Box L Mining and Ranching LLC continued to provide services to CFI up to, and including, November 5, 2022, pursuant to the Services Contract. The Monitor has paid all current outstanding invoices owing to Box L Mining and Ranching LLC from the date of appointment of GTL as Interim Receiver and is reviewing a claim for additional compensation.

76. During the month of January 2023, two of the mill technicians requested a leave from work temporarily to return to school. The Monitor has agreed with this request and proceeded to temporarily layoff the employees on January 17, 2023 and January 24, 2023 as both individuals would be valuable in restarting the mill to a new owner operator.

77. Both employees intend to return to work on April 1, 2023 and April 8, 2023, respectively.

78. The Monitor has replaced the two temporarily laid off mill technicians with local individuals who are former employees of the Company on a contract basis until April 2023.

NOTICES AND STATUTORY REPORTING

79. The Monitor has reported to the Court in the Second Report on the CCAA statutory notices. The Monitor continues to update the estate's website at www.GrantThornton.ca/CFI providing estate stakeholders updates when available.

80. The Monitor, together with CFI management continues to work to update, and file, all statutory filings, reports and payments with the Canada Revenue Agency ("**CRA**"), Workplace NL, Service Canada (for the WEPP Program), Department of Industry Energy and Technology ("**DIET**"), Department of Fisheries and Oceans, Natural Resources Canada, and Environment Canada.

81. CRA completed a payroll trust examination for Canadian employees covering the prefiling pay period in the calendar year 2022. The Monitor has been advised by CRA that there are no issues, and that no property claim will be forthcoming.

82. As detailed in the Fifth Report, CRA issued a letter to the Monitor dated June 1, 2022, indicating a proposed change to the GST/HST return for the audit period of March 1, 2022, to March 11, 2022, ("**HST Assessment**"):

a) On receipt of this letter, the Monitor requested and was granted an extension to July 18, 2022, to respond;

b) On July 18, 2022, the Monitor formally responded to the letter concerning the HST Assessment;

c) On August 8, 2022, the Monitor has received a response from CRA dismissing the Monitor's response to the audit. A copy of this letter from CRA is attached hereto as **Appendix "G"**;

d) On November 7, 2022, the Monitor filed a Notice of Objection (GST/HST) with CRA. A copy of this notice and proof of delivery, by way of facsimile, is attached hereto as **Appendix "H"**;

e) On December 8, 2022, CRA notified the Company that it has received the Monitor's Notice of Objection (GST/HST). A copy of this letter is attached hereto as **Appendix "I"**; and

f) CRA is reviewing the objection and has contacted the Monitor to source the Monitor's own calculation of this HST reassessment. As of the date of this Seventh Report, this request has not been received. The Monitor will provide the calculation once instructions are received. This will not impact any transaction as this liability is intended to be an excluded liability in any reverse vesting order transaction.

83. On June 8, 2022, CFI's received notice from CRA of a tax audit of the Part XIII, Regulation 105 and Regulation 102, of Account 89811 4087 RC0001 for the years 2016 to 2020. A copy of this letter is attached hereto as **Appendix "J"**. A summary of activity regarding this audit is as follows:

a) The Monitor, with assistance from CFI's management, have compiled the documents requested by CRA. The Monitor provided these documents to CRA on December 9, 2022. A copy of the Monitor's summary of documents provided and proof of sending by way of courier is attached hereto as **Appendix "K"**;

b) On November 29, 2022, CRA issued a subsequent letter to the Monitor requesting additional items concerning this audit. Notably being, among other things, previously provided documents for the years 2016 to 2020 (as requested on June 8, 2022) and further increasing this request to cover the periods of January 1, 2021 to March 11, 2022. A copy of this letter is attached hereto as **Appendix "L"**.

c) The Monitor, with assistance from CFI's management, have compiled the documents requested by CRA. The Monitor provided these documents to CRA on January 11, 2023. A copy of the Monitor's summary of documents provided and proof of sending by way of courier is attached hereto as **Appendix "M"**;

d) On January 13, 2023, CRA issued a letter to the Monitor requesting audit samples as a result of the information provided to CRA by the Monitor on December 9, 2022. A copy of this letter is attached hereto as **Appendix "N"**;

e) The Monitor has responded to CRA's audit sample requests by informing them that the Monitor will endeavor to pull the audit samples requested the next time the Monitor travels to site, likely within the next two months. A copy of this letter is attached hereto as **Appendix "O"**.

f) As of the date of this Seventh Report, no further communication has been received by CRA regarding this matter.

84. The Monitor has estimated that the deemed trust claim related to withholding taxes to be $76,438.26. The unsecured portion of the withholding tax is estimated to be approximately $31,000. This ongoing audit should not impact any transaction. The deemed trust amount has been withheld from the net proceeds from the inventory sales and represents a priority charge on the assets of CFI. The unsecured portion is a liability that is expected to be discharged as an excluded liability in any reverse vesting order transaction.

85. On October 20, 2022, the Monitor was informed by the Canadian Nuclear Safety Commission ("**CNSC**") of the Company's requirement to register a new Radiation Safety Officer ("**RSO**") following the termination of the previous RSO on October 12, 2022:

a) The Monitor was provided the regulation by the CNSC as the *General Nuclear Safety and Control Regulations*, specifically *Section 15* being to inform the CNSC of the names of the individual who would be the newly appointed RSO;

b) The Monitor has also been made aware by the CNSC on October 26, 2022 a new Applicant Authority ("**AA**") will also need to be appointed, as the contract with the General Manager has been terminated effective November 5, 2022;

c) The Monitor was informed on October 12, 2022 by the previous RSO that the Company's radiation devices are up to date on their leak testing, as required by its license; and

d) The Monitor has requested quotes for various RSO services from independent contractors and is currently reviewing the Companies' options to maintain the license for a new owner operator.

SALES AND INVESTMENT SOLICITICATION PROCESS ("SISP")

86. The Monitor, after consulting with the DIP Lenders/secured creditors, has entered into a binding letter of intent with a party who intends to purchase and operate the mine.

87. The Monitor has prepared a Second Confidential Report disclosing financial details, commercial terms, and identities of the bidders and the offers submitted. The Monitor is requesting a sealing order over this information until the earlier of closing of the Proposed Transaction or further order of the Court.

88. Details of the Monitor's activities pursuant to the SISP Order can be found in the Fifth Report and Sixth Report. The activities of the Monitor in the Fifth Report were approved by the Court on October 12, 2022, attached hereto as **Appendix "A**.

89. As last advised, the previous offer accepted by the Monitor did not move forward and was ultimately terminated by the Monitor.

90. After consulting with the DIP Lenders on a path forward, the Monitor proceeded on October 20, 2022, to engage parties who were previous participants in the SISP to inform them of the material adverse change and request a response should they be interested in submitting a revised letter of intent ("**LOI**").

91. The Monitor initiated a Phase 4 of the sales process and proceeded to reach out to 20 potentially interested parties and requested proposals to acquire the assets of CFI by no later than January 16, 2023.

92. The Monitor has provided notice to the previously selected Successful Bidder, as mentioned in the Sixth Report, that it is in violation of its binding LOI, signed July 22, 2022. The Monitor terminated that agreement on November 1, 2022.

93. One of the parties who requested an ability to submit a proposal by January 16, 2023 was the previous Successful Bidder. The Monitor, after consultation with the DIP Lenders, and on agreement with that Successful Bidder, required the Successful Bidder to pay to the Monitor $500,000 for the opportunity to rebid. It was the Monitor's, and DIP Lenders, view that the $500,000 paid by the Successful Bidder to re-engage in the process was a reduction of the liability owed to CFI by the Successful Bidder pursuant to the previous agreement.

94. On December 9, 2022, the Monitor received from the previously selected Successful Bidder, as described in the Sixth Report, the $500,000 payment to fund holding costs.

95. The Monitor and the Company provided assistance to parties interested in participating in Phase 4 of the sales process including, but not limited to:

a) Reopened the extensive virtual data room previously provided to parties during the SISP;

b) Participated in three site tours;

c) Participated in multiple calls with possible bidders to respond to queries and facilitate discussions with key stakeholders; and

d) Compiled various financial models and fulfilled significant information requests from the multiple bidders.

96. On January 16, 2023, the Monitor received 6 non-binding LOI's and 2 liquidating proposals.

97. After consultation with the DIP Lenders and the Company, the Monitor selected a proposal submitted via a non-binding LOI and instructed the New Successful Bidder to begin the process of drafting a binding LOI.

98. The Monitor and the New Successful Bidder finalized a binding LOI on February 13, 2023 (dated February 10, 2023 but finalized February 13, 2023).

99. The New Successful Bidder anticipates completing confirmatory due diligence and will work with the Monitor to complete definitive agreements. The Monitor intends to request a subsequent date from this Court to hear the Monitor's requested approval of the Proposed Transaction, once a period of due diligence expires and the Definitive Agreements have been fully executed.

100. The Monitor has disclosed details of the SISP and any revisions to the SISP on its website at www.GrantThornton.ca/CFI.

101. The New Successful Bidder intends to restart the operations of CFI.

102. Details regarding the New Successful Bidder are commercially sensitive at this time as the Monitor and the New Successful Bidder work towards through a due diligence period and negotiations on Definitive Agreements. The Monitor is of the view that sealing the Second Confidential Report will not prejudice any stakeholder and will protect the interests of all stakeholders of the CFI estate if in the unlikely event the transaction proposed by the New Successful Bidder does not close.

103. Extending the proposed stay of proceedings to allow the New Successful Bidder to complete certain due diligence and enter into Definitive Agreements is in the best interest

of the stakeholders and the proceeding. The Monitor supports the extension, which is also supported by the DIP Lenders.

PROPOSED TRANSACTION

104. The proposed transaction contemplated by the New Successful Bidder is a Reverse Vesting Order. The proposed transaction contemplates the vesting out of all liabilities except certain Retained Liabilities and the retention of all assets with the exception of certain Excluded Assets. A list of Retained Liabilities and Excluded Assets is currently being developed with the New Successful Bidder, which may differ from those listed in the Fifth Report. The Excluded Liabilities and Excluded Assets are to be vested out to a ResidualCo, at which time the Monitor intends to seek a distribution order.

105. The consideration being provided is insufficient to pay out the secured creditors. The secured creditors will, if the transaction closes, suffer a substantial loss.

106. The effect of the proposed transaction on the stakeholders are as follows:

a) Senior Secured Creditors – The senior secured creditors, should the proposed transaction close, suffer a substantial loss;

b) Unsecured Creditors – The proposed transaction contemplates vesting out all the liabilities of CFI except for the Retained Liabilities. The result being that the unsecured creditor will not recover anything;

c) CRA – The Monitor has withheld funds sufficient to cover any deemed trust claim. In addition, any deem trust claim can be dealt with on distribution; and

d) Other creditors with possible priority claims – these creditors will have an opportunity to advance a priority claim through the Monitor's application for distribution.

107. The New Successful Bidder's offer is the best offer for the creditors and stakeholders in that:

a) The Monitor understands that the New Successful Bidder intends to restart operations and therefore avoids a liquidation. Although unsecured creditors will not recover any money under the proposed transaction, a restarted operation present an opportunity for future business. A restarted operation will also preserve a number of jobs although unknown at this time as to the degree compared to prior to the insolvency, and achieves the objectives of the CCAA by preserving value as a functioning business greater than in a bankruptcy or liquidation;

b) Provides for the repaying of the DIP on closing; and

c) Provides consideration on closing that is materially greater than any other offer received.

LEGAL PROCEEDINGS

108. Other than the CCAA proceeding, the estate provides the following update on one other active legal proceeding:

a) As previously reported, Inaminka Marine Services Limited ("**IMSL**") has the CFI barge under arrest in Marystown. Details on the arrest were provided in the Monitor's Third Report. The Monitor vigorously defending the claim;

b) On September 2, 2022, the principal of IMSL, Mr. Spellacy also filed a claim for unpaid master's wages and filed a caveat release with the Federal Court on the matter. The Monitor is vigorously defending this claim;

c) The Monitor filed an emergency application to have the various orders, and the stay of proceedings, recognized by the Federal Court. The Federal Court scheduled a hearing on September 28 and committed to a decision by October 7, 2022;

d) On October 5, 2022 the Federal Court provided its decision and stayed the IMSL actions to October 17, 2022 or any later date determined by order of this Court. A copy of that decision is attached hereto as **Appendix "P"**; and

e) On November 17, 2022, legal counsel for IMSL filed with the Federal Court a motion to lift the stay of proceedings given the MAC as reported by the Monitor. The Monitor is advised by legal counsel that the matter has never been properly filed with the Federal Court, and materials not properly served on the Monitor. As such, a date to hear this motion has not been set by the Federal Court. A copy of that filing is attached hereto as **Appendix "Q"**.

109. The Monitor was advised there is an ongoing Labour Relations Board Matter (File 5761) in relation to an Unfair Labour Practice complaint, and a Human Rights Complaint (File 13862). Both matters pre-date the initial order and are not expected to have an impact on the CCAA proceedings.

ACTIVITIES OF THE MONITOR - OTHER

110. The Monitor has continued to complete the following:

a) The Monitor has continued to fully fund payroll for the remaining employees to Ceridian Canada Ltd. ("**Ceridian**") and has paid all outstanding wages. Ceridian has remitted all applicable source deductions to the Crown on behalf of the Monitor; and

b) The Monitor has paid all regulatory costs owed to the Mineral Lands Division of the Province of Newfoundland and Labrador under the Mineral Act RSNL 1990, c. M-12 relating to mineral licenses, mine and surface leases, water-use licenses and water monitoring charges.

c) The Monitor, with assistance from CFI Management, has filed all outstanding tax and GST/HST returns for Canada Fluorspar Inc., Canada Fluorspar (NL) Inc. and Newspar.

111. The Monitor was informed on January 12, 2023 by the Department of Digital Government and Service of Newfoundland and Labrador that Canada Fluorspar (NL) Inc. has the following outstanding returns:

a) Return of Income Derived from Mineral Rights for the calendar years of 2018, 2019, 2020, 2021 & 2022; and

b) Return of Income Derived from Mining Operations for the calendar years of 2018, 2019, 2020, 2021 & 2022.

112. The Monitor is currently preparing the above noted returns and this will not have an impact on the CCAA proceeding.

MATERIAL ADVERSE CHANGE

113. The Monitor is not aware of any issue or condition that could be considered a Material Adverse Change pursuant to s.23(1)(d), or the DIP Financing Agreement.

114. The Monitor continues to be of the opinion that s.23(1)(h) does NOT apply and it would be more beneficial to the Company's creditors to continue with the sale within the CCAA proceeding.

CASH FLOW UPDATE AND REVISED FORECAST

115. The Monitor has prepared an analysis of budget to actual as of January 22, 2023. This is attached hereto as **Appendix "R"**. Overall, the Monitor is tracking materially on budget with a $1,000 favorable variance on a net basis, being ahead of forecast on the cash inflows by $7,000 and above forecast on expenses by $6,000. In addition, the Monitor has attached hereto as **Appendix "S"** a statement of receipts and disbursements to January 22, 2023.

116. The Monitor has prepared a revised cash flow forecast, attached hereto as **Appendix "T"** (the "**Revised Cash Flow Forecast**") as a result of the Monitor's proposed extension to the SISP. The Cash Flow Forecast covers the period from January 23, 2023 to May 31, 2023 (the "**Revised Cash Flow Period**");

117. The Cash Flow Forecast has been prepared by the Monitor using probable and hypothetical assumptions set out therein (the "**Probable and Hypothetical Assumptions**");

118. The requirement of s. 23(1)(b) of the CCAA states that the Monitor is to review the Revised Cash Flow Forecast for reasonableness. As the Directors of the Company have resigned, the Monitor has prepared the Revised Cash Flow Forecast based on the actual expenses incurred since the date of the Interim Receivership and Initial Order. The Monitor is of the opinion that the Revised Cash Flow is reasonable in all material respects:

    (a) The Probable and Hypothetical Assumptions are consistent with the purpose of the Revised Cash Flow Projection;

    (b) As at the date of this Fifth Report, the Probable and Hypothetical Assumptions developed by the Monitor are suitably supported and consistent with the Company's plans and provide a reasonable basis for the Revised Cash Flow Forecast;

(c) The Revised Cash Flow Forecast reflects the Probable and Hypothetical Assumptions.

119. The Company's cash position, held in trust with the Monitor, as of January 22, 2022 is $1,337,669.42. The Company is forecasting a future cash receipt of $500,000 representing a payment to the Monitor as a deposit from the New Successful Bidder upon acceptance of the binding LOI, and $1,439,000 in future disbursements from the date of this report through to May 28, 2023. This disbursement includes $76,000 to cover the unremitted withholding taxes payable, and an estimated $85,000 WEPP priority claim from Service Canada.

GENERAL COMMENTS ON THE CASHFLOW

120. In addition, the Monitor makes the following general comments on the Revised Cash Flow Forecast:

(a) Disbursements appear to be consistent with the level of operations since the date of ARIO – Amendment #3;

(b) The Revised Cash Flow Forecast includes the encumbering of estimated priority claims by the Canada Revenue Agency and Employment and Social Development Canada relating to WEPPA. The Monitor understands a portion of those claims would have priority over the secured creditors in relation to the Company's current assets;

(c) Disbursements include forecast payments to the Company's legal counsel and financial advisors, and the Monitor and its legal counsel.

121. The Monitor has the funds in place to support the requested extension of the Revised SISP and stay of proceedings.

RECOMMENDATION

122. For the reasons set out in this Seventh Report, the Monitor respectfully recommends that this Court:

(a) Approve the activities of the Monitor and its legal counsel to the date of this Seventh Report;

(b) Granting a Sealing Order of the Second Confidential Report; and

(c) Grant an extension to the stay of proceedings to May 31, 2023.

ALL OF WHICH IS RESPECTFULLY SUBMITTED this 15th day of February 2023.

GRANT THORNTON LIMITED,
SOLELY IN ITS CAPACITY AS MONITOR
OF THE COMPANY, AND NOT IN ITS PERSONAL CAPACITY

Per: ________________________________

Phil Clarke, CPA, CA, CIRP, LIT

Senior Vice-President