Court File No. 2022 01G 0709

IN THE SUPREME COURT OF NEWFOUNDLAND AND LABRADOR
GENERAL DIVISION

BETWEEN:

PRICEWATERHOUSECOOPERS INC. in its capacity as court-appointed receiver and manager of BRIDGING FINANCE INC. and BRIDGING INCOME FUND LP

APPLICANT

AND:

CANADA FLUORSPAR (NL) INC. and CANADA FLUORSPAR INC.

RESPONDENTS

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

MARCH 8, 2022

GrantThornton

Grant Thornton Limited,
Court Appointed Interim Receiver
and Proposed Monitor

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

APPENDICES

A – Interim Receivership Order

B – List of Creditors

C – Audited Financial Statements as of December 31, 2020

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INTRODUCTION

1. On February 21, 2022 (the "**Date of Appointment**"), 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. (collectively referred to as the "**Company**" or "**CFI**") by Order of the Supreme Court of Newfoundland and Labrador (the "**Court**"). A copy of the Order of the Honourable Chief Justice Raymond P. Whalen is attached hereto as **Appendix "A"** (the "**Interim Receivership Order**").

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* or the *Companies' Creditors Arrangement Act*; 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. The Interim Receiver's report and other information in respect of these proceedings (the "**Interim Receivership Proceedings**") are posted on the Interim Receiver's website at www.GrantThornton.ca/CFI.

PURPOSE OF THE REPORT

4. The purpose of this report (the "**First Report**") is to inform the Court as to the following:

(a) the activities of the Interim Receiver since the Date of appointment;

(b) the status of various aspects of the Interim Receivership Proceedings;

(c) the state of the business and affairs of the Company and the causes of its financial difficulty and insolvency;

(d) the details of CFI's assets and liabilities including the charges, security interests and encumbrances registered against CFI;

(e) the Interim Receiver's comments on its application before this Honourable Court seeking certain relief under the *Companies' Creditors Arrangement Act,* R.S.C. 1985, c. C-36, as amended (the "**CCAA**") granting, inter alia, a stay or proceedings until July 10, 2022 and appointing GTL as monitor ("**Monitor**") in the CCAA proceedings, including;

i. The proposed conduct of the CCAA Proceedings;

ii. The Company's proposed Debtor-in-Possession financing ("**DIP Financing**") and its efforts in securing same;

iii. A discussion of the proposed Court ordered Charges (defined herein) and such Charges' effect on the Company's stakeholders;

iv. GTL's qualifications to act as Monitor;

(f) the Interim Receiver's receipts and disbursements from the Date of Appointment to March 4, 2022; and

(g) the Company's cash flow projection for the period ending July 10, 2022 (the "**Cash Flow Forecast**").

5. The Interim Receiver is requesting the following relief from this Honourable Court:

(a) An order (the "**Proposed Initial Order**") under the CCAA, among other things:

i. Granting a stay of proceedings;

ii. Appointing GTL as Monitor;

iii. Approving the proposes Sales and Investors Solicitation Process ("**SISP**");

iv. Approving the DIP Financing and related charge in favour of the DIP Lenders (defined herein) over the Company's Property; and

v. Granting a charge (the "**Administrative Charge**") against the Company's Property to a maximum amount of $250,000 as security for the professional fees and disbursements incurred by counsel to the Company, the Monitor, and the Monitor's legal counsel.

TERMS OF REFERENCE

6. In preparing this First Report, the Interim Receiver 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 Cox & Palmer LLP ("**CP**"). While the Interim Receiver reviewed various documents provided by the Company and CP (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 Interim Receiver expresses no opinion or other form of assurance pursuant to GAAP or IFRS with respect to such information.

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

8. In the course of its mandate, the Interim Receiver has assumed the integrity and truthfulness of the information and explanations presented to it by the Company and its Management, within the context in which such information was presented. To date, nothing has come to the Interim Receiver's attention that would cause it to question the reasonableness of these assumptions. The Interim Receiver has requested that

Management, bring to its attention any significant matters which were not addressed in the course of the Interim Receiver's specific inquiries. Accordingly, this Report is based solely on the information (financial or otherwise) made available to the Interim Receiver by the Company and its Management.

9. This First 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 Interim Receiver. Accordingly, the reader is cautioned that this Report may not be appropriate for any other purpose. The Interim Receiver will not assume responsibility or liability for losses incurred by the reader as a result of the circulation, publication, reproduction or use of this First Report contrary to the provisions of this paragraph.

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

BACKGROUND INFORMATION

<u>DESCRIPTION OF COMPANY</u>

11. CFI is one of the few active producers of fluorspar in Canada and the United Sates. The Company was developing the St. Lawrence Fluorspar Mine Project in St. Lawrence, Newfoundland and Labrador, to mine high-quality fluorspar ore from the AGS Vein to produce acid-grade fluorspar concentrate and export to domestic and international markets. This is known as the AGS Fluorspar Project, discovered in 2013.

12. Fluorspar is an essential mineral to many industries and applications, including lithium ion batters; solar panels; refrigeration and air conditioners; high-performance polymers for aerospace; automotive and electronics applications; high-strength and purity glass for smart phones and electronic devices; pharmaceuticals, anesthesia's and medical devices; fire retardants and welding consumables; and steel and aluminum production.

13. The Company was incorporated under the laws of Ontario and is extra provincially registered to conduct business in Newfoundland and Labrador. Since 2014, the Company has been wholly owned by Golden Gate Capital ("**GGC**").

14. The Company's chief place of business is the Province of Newfoundland and Labrador where all of its assets are located.

OPERATIONAL REVIEW

15. CFI has a production capacity of approximately 180,000 dry metric tons of fluorspar per year. The current estimate of ore in the AGS Vein is expected to operate for approximately 10 years. The Company also has other fluorspar ore bodies in the vicinity of the AGS Fluorspar Project, which could be mined after the AGS ore has been exhausted.

16. Since 2018, shipments have been loaded from a pier in Marystown, NL. However, in July 2021, the Company loaded its first shipment from its new Blue Beach Marine Terminal, 5 kilometers from the mine site in St. Lawrence. The Blue Beach Marine Terminal is capable of handling vessels of 10,000 to 65,000 deadweight tonnage.

17. In addition to mine development at the AGS Fluorspar Project and the Marine Terminal at Blue Beach Cove, the Company also operates the following:

   (a) A Mill Facility with a production capacity of up to 180,000 tonnes per year of acidspar concentrate;

   (b) Infrastructure to support the mine and mill, including access roads, conveyors, an administration building, a warehouse and maintenance building, employee facilities, a concentrate storage building, a security building, and an electrical building; and

   (c) A Tailings Management Facility to store 2.8 million tonnes of flotation tailings over the life of the AGS Fluorspar Project.

ASSETS

18. The Company's fluorspar project in St. Lawrence, Newfoundland and Labrador consists of the following main assets:

   (a) Mineral properties including a number of mining and surface leases consisting of three open pit mines;

   (b) Mill facility, tailings management facility, storage buildings, maintenance shop, administration building and other auxiliary buildings;

   (c) Blue Bay marine terminal;

   (d) Equipment and rolling stock; and

(e) Finished inventory of approximately 8,845 wet metric tons (WMT) of Calcium Fluorite Fluorspar CaF_2 (acid-grade).

LIABILITIES

19. Attached as Appendix "B" is the estimated list of creditors as prepared by the Company. A summary of the Company's creditors is as follows:

CFI - Creditors	
Secured Creditors	$94,511,855
Capital Leases	9,813,248
Unsecured Creditors	22,759,806
Total	**$127,084,909**

20. The principal secured obligations of the Company, are further described below:

HSBC Bank Canada ("HSBC")

a) HSBC is a secured creditor of CFI who is owed approximately $18,000,000 USD as of February 28, 2022.

b) Based on a preliminary review of HSBC's security agreements by CFI's legal counsel, HSBC has a first ranking security interest over the accounts receivable of the Company. There is also an intercreditor agreement between HSBC, Bridging, and the PNL, which provides that HSBC has priority over Bridging and PNL with respect to inventory up to $2,000,000 USD. Outside of this limit, Bridging and PNL have priority over HSBC with respect to Inventory. The Factoring Agreement with HSBC was excluded from the Interim Receivership order. The Factoring Agreement is excluded from the proposed CCAA proceeding.

c) As of February 28, 2022, the Company had approximately $21,000,000 USD in outstanding accounts receivable; however, it was determined that for three invoices totaling $3,036,000 USD, the product was not yet shipped to the customers, therefore actual outstanding accounts receivable is approximately $18,000,000 USD. Those 3 invoices were presented to HSBC and factored pursuant to the Factoring Agreement.

d) Refined fluorspar inventory on hand as of the Date of Appointment was approximately 8,845 tons worth approximately $4,000,000 USD assuming a market price of $460/ton. Since the Date of Appointment, a number of customers have shown interest in acquiring the inventory.

Bridging Finance Inc.

e) A Demand Loan provided to the Company by Bridging in the principal amount of $40,000,000, and a second Demand Loan provided by Bridging in the principal amount of $23,000,000 (the "**Bridging Loans**"). The Bridging Loans are secured by a security interest granted in favour of Bridging with respect to all of the Company's present and after-acquired personal property.

Province of Newfoundland and Labrador

f) A Demand Loan provided by the Province of Newfoundland and Labrador (the "**PNL**") to the Company in the principal amount of $17,000,000 (the "**PNL Loan**"). The PNL Loan is also secured by a security interest granted in favour of PNL with respect to all of the Company's present and after-acquired personal property.

21. GTL has not obtained an independent security opinion in respect of the HSBC Loan, Bridging Loan and the PNL Loan.

FINANCIAL PERFORMANCE

22. For the fiscal years ending December 31, 2020 and December 31, 2021, CFI incurred a net loss of $29,241,211 and $44,244,834 (internal preliminary draft figure) respectively. Attached as Appendix "B" and "C" are the Company's financial statements.

CAUSE OF INSOLVENCY

23. According to the Company production of fluorspar concentrate started to increase in the first half of 2021, with new production records achieved in May and June 2021.

24. However, COVID-19 related restrictions and continuing construction challenges caused a lack of labour and among other issues, caused significant production slowdowns during November 2021 to January 2022.

25. Most of the Company's sales volume is contractualized. Unfortunately, the Company's sales have been constrained by operational and COVID-19 related matters that resulted in lower production.

26. CFI has incurred significant operating losses over the past 2 years, however, it is believed that with additional capital expenditures to the Blue Bay Terminal along with a restructuring of the mill operation, the Company could be better positioned to generate a profit. In the short term, continuing to operate is not possible without continued financial support.

<u>EMPLOYEES</u>

27. As of February 21, 2022, the Company employed 261 people (active employees) in St, Lawrence, Newfoundland and Labrador. Between the dates of February 21 to February 22, 2022, the Company terminated 208 of the 261 active employees in its effort to place the operations into care and maintenance mode.

28. The Interim Receiver terminated 8 employees since its appointment.

29. There are currently 45 employees retained to maintain the assets in cold idle, maintain security, and maintain the environmental monitoring functions.

INTERIM RECEIVER'S ACTIVITIES

30. The Interim Receiver attended the Company's site on February 21, 2022, to among other things, preserve the assets of the Company, seek options related to a sales process, and place the Company into care and maintenance mode while restructuring options are pursued.

31. On the Date of Appointment, the Interim Receiver met with CFI's operational managers to discuss the current status of the Company's operations and any urgent operational issues that required immediate attention to preserve the Company's assets.

32. The Interim Receiver with the Company's staff made a list of items that need to be completed in order to shut down the operations and maintain the assets, and the level of employees required to do so. Such plans have been implemented and are ongoing as of the date of this First Report.

33. Since the Date of Appointment, the Interim Receiver's staff have been on site at regular intervals and its main activities have included:

(a) Assessing the security controls that the Company had at the site and working with security personnel to enhance security including changing locks, setting up additional security cameras, blockading certain access points to the site, notifying the RCMP of our appointment and maintaining the Company's books and records;

(b) Overseeing the Company's termination of the majority of the employees;

(c) Identifying and retaining a portion of the Company's staff which would be required to safely shut down operations, provide security, maintain environmental monitoring, and implement a care and maintenance plan in regard to the assets;

(d) Obtaining certain books and records of the Company to assist the Interim Receiver in assessing the restructuring options for the Company;

(e) Communicating with certain employees and creditors in regard to the Interim Receivership Order;

(f) Assessing the level of supplies on hand and making arrangements for continued goods and services to be provided in order to care for and preserve the assets;

(g) Notifying HSBC of our appointment and arranging for the balance of funds to be placed in a trust account in the Interim Receiver's name;

(h) Posting the Interim Receivership Order and other pertinent documents on the Interim Receiver's website;

(i) With assistance from the Company's staff, prepared a cash flow forecast on the basis that the operations ceased, and a care and maintenance plan was implemented;

(j) Understanding and summarizing priority vendors that require immediate payment to continue delivery of critical goods and services;

(k) Providing the employees with a list of questions concerning the Interim Receiver's appointment;

(l) Assisting the secured lenders extensive negotiation regarding providing Debtor in Possession financing;

(m) Responding to customer and creditor queries; and

(n) Responding to queries from parties interested in participating in a potential sales process.

SUMMARY OF RECEIPTS AND DISBURSEMENTS

34. Receipts and disbursements from the Date of Appointment to March 4, 2022 are summarized as follows:

CFI - Interim Receivership
Statement of Receipts and Disbursements

	CAD$	Notes
Opening Cash on Hand	$ 1,950,030	a
Receipts	-	
Disbursements		
Fuel	44,000	b
Insurance	78,434	c
Mineral Licensing	61,680	d
Other - HST Paid	15,642	e
Payroll	1,228,274	f
Professional Fees - Restructuring	100,488	g
Total Disbursements	1,528,519	
Closing Cash on Hand	$ 421,511	

(a) Opening Cash on Hand - consisted of approximately $1.13 million in the Company's HSBC bank accounts and $820,000 on deposit with its payroll service provider, Ceridian;

(b) Fuel – consists of payments to Western Petroleum for post-interim receivership delivery of gas, diesel, and furnace oil required to shut down the operations and maintain the facilities;

(c) Insurance – insurance premiums paid to BFL Canada (CAFO Finance Contract) for commercial, property and liability insurance for month of March 2022;

(d) Mineral Licensing – amounts paid to the Province of Newfoundland for mine/surface lease rental fees, license renewal fees, and bond in lieu of work expenditures on the Company's mining leases and licenses;

(e) Other – HST Paid – mainly consist of HST paid on expenditures;

(f) Payroll – employee costs represent the gross wages, employee source deductions, health benefits for the bi-weekly period ending February 18, 2022 for approximately 261 employees and the bi-weekly period ending March 4, 2022 for the reduced workforce of approximately 51 employees; and

(g) Professional Fees – Restructuring – The Interim Receiver has accrued fees of $100,488 to date.

35. As of March 4, 2022, the Company has approximately $421,000 in cash on hand and will require DIP financing in order to preserve the assets over the period of the proposed SISP.

36. The utility service providers have yet to provide the Interim Receiver invoices for services provided since the date of appointment, including NL Power, Bell, etc. The Interim Receiver has maintained the provision of these services and expect invoices to follow in due course. These utility costs have NOT been accrued and are expected to be significant.

RESTRUCTURING OPTIONS / SALES AND INVESTOR SOLICITATION PROCESS / NEXT STEPS

37. As iterated throughout this First Report and to summarize the matters discussed leading us into the proposed restructuring options:

(a) CFI is 100% owned by Golden Gate Capital ("**GCC**"). Prior to the Interim Receivership Order, GGC notified the Company that it decided that it would not inject any further capital into the Company to cover operating losses.

(b) GTL was appointed as Interim Receiver to assist the secured creditors assess CFI's restructuring options.

(c) CFI's existing operations are not profitable under its current state and the Company is not viable given its current debt structure.

(d) Due to ongoing operational losses and the Company's limited cash resources, CFI cannot afford to continue operating and has had to shut down its operations and terminate the majority of its employees.

38. The only option available to CFI is to commence a sales and investor solicitation process ("**SISP**") designed to obtain offers for the purchase of the business and assets. To continue to preserve the assets and conduct the SISP, the Company will need to obtain DIP Financing to cover the costs through to the end of the proposed SISP.

39. Absent DIP Financing, the Company will have no cash and will be forced to file for bankruptcy.

CCAA PROCEEDINGS

40. As contemplated in paragraph 6. (o) of the Interim Receivership Order, the Interim Receiver was given the power to make an application before the Court seeking certain relief (the "Initial Order") under the Companies' Creditors Arrangement Act, R.S.C. 1985, c. C-36, as amended (the "CCAA") granting, among other things, a stay of proceedings for not more than ten (10) days from the Initial Order (the "Stay Period") and appointing GTL as Monitor. The proceedings to be commenced by the Companies under the CCAA will be referred to hereinafter as the **"CCAA Proceedings"**.

DEBTOR-IN-POSSESSION FINANCING

41. The terms of the DIP Facility are detailed in the DIP Term Sheet, a copy of which is attached as Exhibit "F" to the Affidavit of Phil Clarke. GTL does not believe that creditors, on balance, will be prejudiced from approval of the DIP Facility and DIP charges. It is the Interim Receiver's view that the SISP is best option to find a purchaser of the assets of the business and provide a possible recovery to creditors, and best chance of seeking a new owner/operator for the mine.

42. Absent DIP financing, the Company has no cash to continue operating in any capacity and will have to file a bankruptcy.

SALES AND INVESTOR SOLICITATION PROCESS

43. Prior to the Date of Appointment, GTL developed a proposed SISP with assistance of GGC and the secured creditors. Prior to the appointment of the Interim Receiver, GGC decided to not participate in the proposed DIP and SISP, however, Bridging and the Province of Newfoundland and Labrador has committed to providing DIP financing to carry out the SISP.

44. An overview of the SISP is provided. Capitalized terms not defined herein are defined in the SISP. The timing of the SISP may change depending on court approval, if at all.

Event	Date
<u>1. Solicitation Letter</u> Monitor to distribute Solicitation Letter, to potentially interested parties	By no later than March 20, 2022, at 5:00 p.m. (Newfoundland Standard Time)
<u>2. CIM and VDR</u> Monitor to prepare and have available for parties having executed the NDA (Potential Bidders) the CIM and VDR	By no later than March 20, 2022, at 5:00 p.m. (Newfoundland Standard Time), or at such later time as the Monitor, in consultation with the Company, deems appropriate
<u>3. Phase 1 Qualified Bidders & Bid Deadline</u> Phase 1 Bid Deadline (for delivery of non-binding LOIs by Phase 1 Qualified Bidders in accordance with the requirement of paragraph 14 of the Bidding Procedures)	By no later than April 17, 2022, at 5:00 p.m. (Newfoundland Standard Time)
<u>4. Phase 1 Successful Bid</u> Monitor to notify each Phase 1 Qualified Bidder in writing as to whether its bid constituted a Phase 1 Successful Bid	By no later than April 24, 2022, at 5:00 p.m. (Newfoundland Standard Time)
<u>5. Phase 2 Bid Deadline & Qualified Bidders</u> Phase 2 Bid Deadline (for delivery of definitive offers by Phase 2 Qualified Bidders	By no later than June 12, 2022, at 5:00 p.m. (Newfoundland Standard Time)

Event	Date
in accordance with the requirement of paragraph 21 of the Bidding Procedures)	
<u>6. Auction</u> Auction Commencement Date (if needed)	By no later than June 19, 2022
<u>7. Selection of final Successful Bid</u> Deadline for selection of final Successful Bid	By no later than June 19, 2022, at 5:00 p.m. (Newfoundland Standard Time)
<u>8. Definitive Documentation</u> Deadline for completion of definitive documentation in respect of Successful Bid	By no later than June 26, 2022
<u>9. Approval Motion – Successful Bid</u> Deadline for filing of Approval Motion in respect of Successful Bid	By no later than July 3, 2022
<u>10. Closing – Successful Bid</u> Anticipated deadline for closing of Successful Bid being the Target Closing Date	July 10, 2022 or such earlier date as is achievable
<u>11. Outside Date – Closing</u> Outside Date by which the Successful Bid must close	July 10, 2022

45. The Interim Receiver is of the view that the SISP is appropriate for the following reasons:

(a) Prior to the Interim Receivership, PricewaterhouseCoopers in its capacity as receiver of Bridging conducted a sales and investor solicitation process for the assets of Bridging including CFI's loan which resulted in a number of parties showing interest in acquiring the debt owed from CFI. The Interim Receiver will be able to approach these parties identified during the Bridging SISP as potential purchasers;

(b) In addition, a regional and national advertising campaign will increase exposure to any potential parties not previously aware of the Bridging SISP;

(c) The Company's assets will be widely exposed to the market for a sufficient length of time

(d) Bridging along with the PNL have agreed to provided DIP financing which will provided sufficient cash resources to preserve the assets and carry out the SISP

(e) As this will now be the second sales process that has been ran in respect of the Company's, the market is likely aware of the potential of, and issues surrounding, the subject assets. Such awareness should reduce the due diligence period required, and lead to a rapid sale process for Successful Bidders;

(f) GGC, Bridging, and the PNL are supportive of the SISP;

(g) Numerous parties have come forward during the Interim Receivership process expressing interest in participating in the sales process; and

(h) The Company has advised that its customers may be likely participants in a SISP.

46. Absent a SISP the Company will be forced into liquidation via a bankruptcy process.

PROPOSED DEBTOR-IN-POSSESSION FINANCING

47. As mentioned previously, GGC advised it was not willing to provide any further equity financing to the Company. Considering this, the Company sought DIP Financing from the secured creditors.

48. During the Interim Receivership period, efforts were commenced to seek DIP Financing from the existing lenders. These efforts has resulted in the following: Bridging to provide DIP Financing in the amount of $3.25 million along with the PNL who is willing to provide DIP Financing in the amount of $3.25 million, for the Company, with the assistance of the Monitor, to keep the mine in care and maintenance mode and complete the SISP.

49. The DIP Facility Loan Agreement (the "**DIP Financing Agreement**") entered into on March 7, 2022 with Bridging Finance and the PNL (in such capacity, the "**DIP Lenders**") has agreed to advance to the Company a total amount of up to $6.50 million (the "**DIP Facility**"), which will be made available to the Company during these CCAA Proceedings, of which an initial amount of $3.60 million will be advanced to the Company during the initial 10-day Stay Period (the "**Initial Advance**").

50. It is contemplated that the DIP Lenders would be granted a Court-ordered charge over all of the Company's property, up to a maximum amount of $3.6 million on the Initial Order, increasing to $6.50 million on the comeback order, to secure amounts owing by the Company pursuant to the DIP Financing Agreement (the "**DIP Charge**"). The DIP Charge will only secure obligations in respect of the DIP Facility and will not secure any other obligation. The DIP Charge will not secure any obligation that existed prior to the Initial Order.

51. Given the limited resources and the circumstances of the Company, the Interim Receiver is of the view that it would be difficult if not impossible and impractical for the Company to obtain alternative financing outside of creditor protection proceedings given the limited amount of time available to the Company before it runs out of cash.

52. Based on the information it has received, the Interim Receiver is of the view that the DIP Facility and the DIP Charge are appropriate in the circumstances.

CASH FLOW FORECAST

53. The Company, with assistance from the Interim Receiver, prepared a cash flow forecast, attached as **Appendix "E"** (the "**Cash Flow Forecast**"), which covers the period from February 21, 2022 to July 10, 2022 (the "**Cash Flow Period**"). The Cash Flow Forecast was prepared on the assumption that the Company's mining operations will be shut down and a care and maintenance program for the assets carried out. The Cash Flow Period was prepared over a 20-week period to estimate the time to complete the proposed SISP and complete a transaction with respect to the sale of the business/assets.

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

55. The Interim Receiver has reviewed the Cash Flow Projection to the standard required of a Court-appointed Monitor by s. 23(1)(b) of the CCAA. The Interim Receiver's review of the Cash Flow Projection consisted of inquiries, analytical procedures, and discussions related to information supplied to the Interim Receiver by Management of the Company. Since the Probable and Hypothetical Assumptions need not be supported, the Interim Receiver's procedures with respect to same were limited to evaluating whether they were consistent with the purpose of the Cash Flow Projection. The Interim Receiver has also reviewed the support provided by the Company for the Probable and Hypothetical Assumptions and the preparation and presentation of the Cash Flow Projection. Based on the Interim Receiver's review, nothing has come to its attention that causes it to believe that, in all material respects:

(a) the Probable and Hypothetical Assumptions are not consistent with the purpose of the Cash Flow Projection;

(b) as at the date of this Report, the Probable and Hypothetical Assumptions developed by management are not suitably supported and consistent with the Company's plans or do not provide a reasonable basis for the Cash Flow Projection, given the Probable and Hypothetical Assumptions; or

(c) the Cash Flow Projection does not reflect the Probable and Hypothetical Assumptions.

56. The Company's cash position at the commencement of the CCAA Proceedings is estimated to be approximately $421,000 before accounting for utility costs. The Cash Flow Projection estimates the Company will require incremental advances under the DIP facility of approximately $6.50 million to fund its cash shortfall during the Cash Flow Period. The Company is projecting total disbursements of approximately $6.30 million. A copy of the detailed cash flow is attached hereto as **Appendix "E"**.

GENERAL COMMENTS

57. In addition, the Interim Receiver makes the following general comments on the Cash Flow Projection:

(a) receipts are represented as $NIL due to the Company's operations being place into care and maintenance mode. It is understood that HSBC has a first ranking charge over the receivables and to that effect we understand that HSBC intends to sweep all funds received to repay their loan. As it is not the intention of the Company to operate during the CCAA proceedings a $NIL estimate for receipts is consistent with expectations.

(b) disbursements appear to be consistent with the level of operations contemplated by management and the Interim Receiver for the Company during the Cash Flow Period;

(c) the Cash Flow Projection contemplates paying post-filing employee wage and other employee obligations and related source deductions in the ordinary course,;

(d) the Cash Flow Projection contemplates paying vendors in accordance with existing credit terms, with provisions for the possibility of different credit terms.; and

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

PROPOSED COURT ORDERED CHARGES

58. The Proposed Initial Order provides for two charges that rank as follows:

(a) first – the Administrative Charge; and

(b) second – the DIP Charge.

(collectively, the "**Charges**"). The Proposed Initial Order states that the Charges are to rank ahead of all security, interests, trusts, liens, charges and encumbrances, claims of secured creditors, statutory or otherwise (the "**Encumbrances**") in favour of any Person (as defined in the Proposed Initial Order), however does not prime any secured creditor not served with the initial application.

ADMINISTRATION CHARGE

59. The Proposed Initial Order contemplates the Monitor, the Monitor's Counsel and the Company's counsel, be granted a court-ordered charge on the assets of Company as security for professional fees and disbursements relating to services rendered in respect of the Company (whether incurred prior to or after the commencement of the CCAA proceedings) at the standard rates and charges in an amount not to exceed $250,000 (the "**Administrative Charge**").

60. The Administration Charge threshold has been established based on the various professionals' previous history and experience with restructurings of similar magnitude and complexity. If an Initial Order under the CCAA is granted, the Interim Receiver believes that the proposed Administration Charge is required and reasonable in the circumstances.

DIP CHARGE

61. It is a condition of the DIP Facility that it be secured by a charge over the assets of the Company.

62. Based on discussions with Bridging Finance and the PNL and reviewing the Company's information, the Interim Receiver is of the view that the DIP Charge is reasonable and appropriate in the circumstances

QUALIFICATIONS TO ACT AS MONITOR

63. GTL is a licensed insolvency trustee within the meaning of section 2(1) of the *Bankruptcy and Insolvency Act* (Canada). In addition, GTL 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.

64. GTL has consented to act as Monitor should the Court grant the Company's request for relief in the CCAA Proceedings.

65. The senior GTL representative with carriage of this matters is an experienced Chartered Insolvency and Restructuring Professional and a Licensed Insolvency Trustee, who has acted in restructurings and CCAA matters across various provinces in Canada. GTL and its affiliates also have extensive experience in the mining industry.

NEED FOR A STAY OF PROCEEDINGS AND THE CCAA PROCEEDINGS

66. Over the past two years the Company's operations have been negatively impacted by challenges of COVID-19, production problems, and mill and mine development challenges which has resulted in significant liquidity issues. GGC, who had been supporting liquidity requirements through additional investment is no longer willing to do so. The proposed CCAA Proceedings, including the stay of proceedings and DIP Facility, will allow the Company to preserve its assets at a "care and maintenance" level whilst concurrently

seeking out a purchaser through the SISP described above, which is in the interests of the Company and its stakeholders.

67. For the reasons set out in this Report, the Interim Receiver is of the view that the relief requested is reasonable and respectfully recommends that this Court make the Order granting the requested relief.

ALL OF WHICH IS RESPECTFULLY SUBMITTED this 8th day of March 2022.

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

Per: ______________________

Phil Clarke, CPA, CA, CIRP, LIT

Senior Vice-President

Appendix A

SCHEDULE "I"

2022 01G 0709
IN THE SUPREME COURT OF NEWFOUNDLAND AND LABRADOR
GENERAL DIVISION

BETWEEN:

PRICEWATERHOUSECOOPERS INC. in its capacity as court-appointed receiver and manager of BRIDGING FINANCE INC. and BRIDGING INCOME FUND LP

APPLICANT

AND:

CANADA FLUORSPAR (NL) INC. and CANADA FLUORSPAR INC.

RESPONDENTS

INTERIM RECEIVERSHIP ORDER

BEFORE THE HONOURABLE CHIEF JUSTICE RAYMOND P. WHALEN:

UPON The application of PricewaterhouseCoopers Inc., in its capacity as court-appointed receiver and manager of Bridging Finance Inc. and Bridging Income Fund LP (formerly Sprott Bridging Income Fund LP) (the "**Applicant**"), for appointment of an interim receiver in respect of Canada Fluorspar (NL) Inc. and Canada Fluorspar Inc. (collectively, the "**Debtor**");

AND UPON READING the Originating Application and the affidavit of Graham Page sworn February 19, 2022, and the consent of Grant Thornton Limited to act as interim receiver (in such capacity, the "**Interim Receiver**") of the Debtor;

AND UPON HEARING counsel for the Applicant any other counsel or other interested parties present;

Filed Feb 22 20 22

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IT IS HEREBY ORDERED THAT:

SERVICE

1. The time for service of the notice of application and the material filed herein for this order (the "**Order**") is hereby abridged and deemed good and sufficient and this application is properly returnable today and any further service thereof is hereby dispensed.

APPOINTMENT

2. Pursuant to section 47(1) of the *Bankruptcy and Insolvency Act*, RSC 1985, c B-3 (the "*BIA*") Grant Thornton Limited is hereby appointed Interim Receiver, without security, of all of the Debtor's current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate, including all proceeds thereof, save and except for the Excluded Property (the "**Property**").

3. For greater certainty, the Interim Receiver will not take possession of the Property except to the extent necessary to carry out its obligations hereunder.

DEFINED TERMS

4. Capitalized terms not otherwise defined herein shall have the meaning ascribed to them in **Schedule "A"**.

INTERIM RECEIVER'S POWERS

5. The Interim Receiver is not authorized or permitted to operate or conduct the business of the Debtor; provided, however, that the Receiver is hereby empowered and authorized, but not obligated, to take such steps as are necessary (or cause the Debtor to take such steps as are necessary) to protect, preserve, and secure the Property.

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6. The Interim Receiver is hereby empowered and authorized, but not obligated, to act at once in respect of the Property and, without in any way limiting the generality of the foregoing, the Interim Receiver is hereby expressly empowered and authorized to do any of the following where the Interim Receiver considers it necessary or desirable:

(a) to exercise control over the Property and any and all proceeds, receipts and disbursements arising out of or from the Property;

(b) to receive, preserve, protect, and maintain control of the Property, or any part or parts thereof, including, but not limited to, the changing of locks and security codes, the relocating of Property to safeguard it, the engaging of independent security personnel, the taking of physical inventories and the placement of such insurance coverage as may be necessary or desirable;

(c) to manage, preserve and protect the assets of the Debtor, including the power to incur any obligations in the ordinary course of business, and the powers to enter into any agreements, cease to carry on all or any part of the business, or cease to perform any contracts of the Debtor;

(d) to retain or hire any employees on behalf of the Debtor for any period of time on substantially the same terms and conditions as those existing between such employees and the Debtor, if applicable, prior to the appointment of the Interim Receiver;

(e) to engage consultants, appraisers, agents, experts, auditors, accountants, managers, counsel and such other persons from time to time and on whatever basis, including on a temporary basis, to assist with the exercise of the Interim

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Receiver's powers and duties, including without limitation those conferred by this Order;

(f) to receive and collect all monies and accounts now owed or hereafter owing to the Debtor and to exercise all remedies of the Debtor in collecting such monies, including, without limitation, to enforce any security held by the Debtor. For greater certainty, this provision shall not apply to the Excluded Property;

(g) to settle, extend or compromise any indebtedness owing to or by the Debtor;

(h) to execute, assign, issue and endorse documents of whatever nature in respect of any of the Property, whether in the Interim Receiver's name or in the name and on behalf of the Debtor, for any purpose pursuant to this Order;

(i) to initiate, prosecute and continue the prosecution of any and all proceedings and to defend all proceedings now pending or hereafter instituted with respect to the Debtor, the Property or the Interim Receiver, and to settle or compromise any such proceedings. The authority hereby conveyed shall extend to such appeals or applications for judicial review in respect of any order or judgment pronounced in any such proceeding;

(j) to report to, meet with and discuss with such affected Persons (as defined below) as the Interim Receiver deems appropriate all matters relating to the Property and the interim receivership, and to share information, subject to such terms as to confidentiality as the Interim Receiver deems advisable;

(k) to register a copy of this Order and any other orders in respect of the Property against title to any of the Property, and when submitted by the Interim Receiver for registration this Order shall be immediately registered by the Registrar of Deeds

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for the Province of Newfoundland and Labrador or any other similar government authority, notwithstanding Section 7 of the *Registration of Deeds Act*, 2009, SNL 2009, c R-10.01, or the provisions of any other similar legislation in any other province or territory, and notwithstanding that the appeal period in respect of this Order has not elapsed and the Registrar of deeds shall accept all Affidavits of Corporate Signing Authority submitted by the Interim Receiver in its capacity as Interim Receiver of the Debtor and not in its personal capacity;

(l) to apply for any permits, licences, approvals or permissions as may be required by any governmental authority and any renewals thereof for and on behalf of and, if thought desirable by the Interim Receiver, in the name of the Debtor;

(m) to enter into agreements with any trustee in bankruptcy appointed in respect of the Debtor, including, without limiting the generality of the foregoing, the ability to enter into occupation agreements for any property owned or leased by the Debtor;

(n) to exercise any shareholder, partnership, joint venture or other rights which the Debtor may have;

(o) to commence proceedings for the Debtor pursuant to the *Bankruptcy and Insolvency Act* or the *Companies' Creditors Arrangement Act*; and

(p) to take any steps reasonably incidental to the exercise of these powers or the performance of any statutory obligations.

and in each case where the Interim Receiver takes any such actions or steps, it shall be exclusively authorized and empowered to do so, to the exclusion of all other Persons, including the Debtor, and without interference from any other Person (as defined below).

DUTY TO PROVIDE ACCESS AND CO-OPERATION TO THE INTERIM RECEIVER

7. (i) The Debtor, (ii) all of its current and former directors, officers, employees, agents, accountants, legal counsel and shareholders, and all other persons acting on its instructions or behalf, and (iii) all other individuals, firms, corporations, governmental bodies or agencies, or other entities having notice of this Order (all of the foregoing, collectively, being "**Persons**" and each being a "**Person**") shall forthwith advise the Interim Receiver of the existence of any Property in such Person's possession or control, shall grant immediate and continued access to the Property to the Interim Receiver, and shall deliver all such Property (excluding Property subject to liens the validity of which is dependent on maintaining possession) to the Interim Receiver upon the Interim Receiver's request.

8. All Persons shall forthwith advise the Interim Receiver of the existence of any books, documents, securities, contracts, orders, corporate and accounting records (and all transaction related thereof), and any other papers, records and information of any kind related to the business or affairs of the Debtor, and any computer programs, computer tapes, computer disks or other data storage media containing any such information (the foregoing, collectively, the "**Records**") in that Person's possession or control, and shall provide to the Interim Receiver or permit the Interim Receiver to make, retain and take away copies thereof and grant to the Interim Receiver unfettered access to and use of accounting, computer, software and physical facilities relating thereto, provided however that nothing in this paragraph or in paragraphs 7 and 9 of this Order shall require the delivery of Records, or the granting of access to Records, which may not be disclosed or provided to the Interim Receiver due to the privilege attaching to solicitor-client communication or documents prepared in contemplation of litigation or due to statutory provisions prohibiting such disclosure.

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9. If any Records are stored or otherwise contained on a computer or other electronic system of information storage, whether by independent service provider or otherwise, all Persons in possession or control of such Records shall forthwith give unfettered access to the Interim Receiver for the purpose of allowing the Interim Receiver to recover and fully copy all of the information contained therein whether by way of printing the information onto paper or making copies of computer disks or such other manner of retrieving and copying the information as the Interim Receiver in its discretion deems expedient, and shall not alter, erase or destroy any Records without the prior written consent of the Interim Receiver. Further, for the purposes of this paragraph, all Persons shall provide the Interim Receiver with all such assistance in gaining immediate access to the information in the Records as the Interim Receiver may in its discretion require including providing the Interim Receiver with instructions on the use of any computer or other system and providing the Interim Receiver with any and all access codes, account names, and account numbers that may be required to gain access to the information.

NO PROCEEDINGS AGAINST THE INTERIM RECEIVER

10. Without leave of the Court no action lies against the Interim receiver with respect to any report made under, or any action taken pursuant to *BIA*.

NO PROCEEDINGS AGAINST THE DEBTOR OR THE PROPERTY

11. No Proceeding against or in respect of the Debtor or the Property shall be commenced or continued except with the written consent of the Interim Receiver or with leave of this Court and any and all Proceedings currently under way against or in respect of the Debtor or the Property are hereby stayed and suspended pending further Order of this Court, provided, however, that nothing in this Order shall: (i) prevent any Person from commencing a proceeding regarding a claim that might otherwise become barred by statute or an existing

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agreement if such proceeding is not commenced before the expiration of the stay provided by this paragraph; and (ii) affect a Regulatory Body's investigation in respect of the debtor or an action, suit or proceeding that is taken in respect of the debtor by or before the Regulatory Body, other than the enforcement of a payment order by the Regulatory Body or the Court. "**Regulatory Body**" means a person or body that has powers, duties or functions relating to the enforcement or administration of an Act of Parliament or of the legislature of a Province.

NO EXERCISE OF RIGHTS OR REMEDIES

12. All rights and remedies of any Person, whether judicial or extra-judicial, statutory or non-statutory (including, without limitation, set-off rights) against or in respect of the Debtor or the Interim Receiver or affecting the Property are hereby stayed and suspended and shall not be commenced, proceeded with or continued except with leave of this Court, provided, however, that nothing in this Order shall:

(a) empower the Debtor to carry on any business that the Debtor is not lawfully entitled to carry on;

(b) prevent the filing of any registration to preserve or perfect a security interest;

(c) prevent the registration of a claim for lien; or

(d) exempt the Debtor from compliance with statutory or regulatory provisions relating to health, safety or the environment.

13. Nothing in this Order shall prevent any party from taking an action against the Applicant where such an action must be taken in order to comply with statutory time limitations in order to preserve their rights at law, provided that no further steps shall be taken by such

party except in accordance with the other provisions of this Order, and notice in writing of such action be given to the Interim Receiver at the first available opportunity.

14. Nothing in this Order shall prevent HSBC from exercising any rights or remedies, taking any enforcement steps, actions or commencing any proceedings against the Debtor with respect to the Excluded Property.

NO INTERFERENCE WITH THE INTERIM RECEIVER

15. No Person shall accelerate, suspend, discontinue, fail to honour, alter, interfere with, repudiate, terminate or cease to perform any right, renewal right, contract, agreement, licence or permit in favour of or held by the Debtor, except with the written consent of the Debtor and the Interim Receiver, or leave of this Court.

CONTINUATION OF SERVICES

16. All persons having:

(a) statutory or regulatory mandates for the supply of goods and/or services; or

(b) oral or written agreements or arrangements with the Debtor, including without limitation all computer software, communication and other data services, centralized banking services, payroll services, insurance, transportation, services, utility or other services to the Debtor

are hereby restrained until further order of this Court from discontinuing, altering, interfering with, suspending or terminating the supply of such goods or services as may be required by the Debtor or exercising any other remedy provided under such agreements or arrangements. The Debtor shall be entitled to the continued use of its current premises, telephone numbers, facsimile numbers, internet addresses and domain names, provided in each case that the usual prices or charges for all such goods or services received after the date of this Order are paid by the Debtor in accordance with the payment practices of the Debtor, or such other practices as may be agreed upon by the supplier or service provider and each of the Debtor and the Interim Receiver, or as may be ordered by this Court.

INTERIM RECEIVER TO HOLD FUNDS

17. All funds, monies, cheques, instruments, and other forms of payments received or collected by the Interim Receiver from and after the making of this Order from any source whatsoever, including without limitation the sale of all or any of the Property and the collection of any accounts receivable in whole or in part, whether in existence on the date of this Order or hereafter coming into existence, but excluding the Excluded Property, shall be deposited into one or more new accounts to be opened by the Interim Receiver (the "**Post Receivership Accounts**") and the monies standing to the credit of such Post Receivership Accounts from time to time, net of any disbursements provided for herein, shall be held by the Interim Receiver to be paid in accordance with the terms of this Order or any further order of this Court.

EMPLOYEES

18. Subject to employees' rights to terminate their employment, all employees of the Debtor shall remain the employees of the Debtor until such time as the Interim Receiver, on the Debtor's behalf, may terminate the employment of such employees.

19. Despite anything in federal or provincial law, if the Interim Receiver, in that position, carries on the business of the Debtor or continues the employment of a debtor's employees, the interim receiver is not by reason of that fact personally liable in respect of a liability,

including one as a successor employer, that is in respect of the employees or former employees of the debtor or a predecessor of the debtor or in respect of a pension plan for the benefit of those employees and that exists before the interim receiver is appointed or that is calculated by reference to a period before the appointment.

LIMITATION ON ENVIRONMENTAL LIABILITIES

20. Nothing herein contained shall require the Interim Receiver to occupy or to take control, care, charge, possession or management (separately and/or collectively, "Possession") of any of the Property that might be environmentally contaminated, might be a pollutant or a contaminant, or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to any federal, provincial or other law respecting the protection, conservation, enhancement, remediation or rehabilitation of the environment or relating to the disposal of waste or other contamination (collectively, the "Environmental Legislation"), provided however that nothing herein shall exempt the Interim Receiver from any duty to report or make disclosure imposed by applicable Environmental Legislation. The Interim Receiver shall not, as a result of this Order or anything done in pursuance of the Receiver's duties and powers under this Order, be deemed to be in Possession of any of the Property within the meaning of any Environmental Legislation, unless it is actually in possession.

21. The Interim Receiver shall not be liable for any mine closure or environmental and land rehabilitation-related liabilities or obligations in respect of or in any way related to the Property (or caused by or resulting from any matter or thing originating on or coming from the Property). For greater certainty:

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(a) Notwithstanding anything in any Environmental Legislation, the Interim Receiver is not personally liable in that position for any environmental condition that arose or environmental damage that occurred:

(i) before the Interim Receiver's appointment; or

(ii) after the Interim Receiver's appointment unless it is established that the condition arose or the damage occurred as a result of the Interim Receiver's gross negligence or wilful misconduct.

(b) Nothing in sub-paragraph (a) exempts the Interim Receiver from any duty to report or make disclosure imposed by a law referred to in that sub-paragraph.

(c) Notwithstanding anything in any Environmental Legislation, but subject to sub-paragraph (a) hereof, where an order is made which has the effect of requiring the Interim Receiver to remedy any environmental condition or environmental damage affecting the Property, the Interim Receiver is not personally liable for failure to comply with the order, and is not personally liable for any costs that are or would be incurred by any person in carrying out the terms of the order,

(i) if, within such time as is specified in the order, within 10 days after the order is made if no time is so specified, within 10 days after the appointment of the Interim Receiver, if the order is in effect when the Interim Receiver is appointed, or during the period of the stay referred to in clause (ii) below, the Interim Receiver:

(A) complies with the order, or

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(B) on notice to the person who issued the order, abandons, disposes of or otherwise releases any interest in any real property affected by the condition or damage;

(ii) during the period of a stay of the order granted, on application made within the time specified in the order referred to in clause (i) above, within 10 days after the order is made or within 10 days after the appointment of the Interim Receiver, if the order is in effect when the Interim Receiver is appointed, by,

(A) the court or body having jurisdiction under the law pursuant to which the order was made to enable the Interim Receiver to contest the order; or

(B) the court having jurisdiction in bankruptcy for the purposes of assessing the economic viability of complying with the order; or

(iii) if the Interim Receiver had, before the order was made, abandoned or renounced or been divested of any interest in any real property affected by the condition or damage.

LIMITATION ON THE INTERIM RECEIVER'S LIABILITY

22. Except for gross negligence or wilful misconduct, as a result of its appointment or carrying out the provisions of this Order the Interim Receiver shall incur no liability or obligation that exceeds an amount for which it may obtain full indemnity from the Property provided that the interim receiver shall act honestly and in good faith and deal with the Property in a commercially reasonable manner. Nothing in this Order shall derogate from any

limitation on liability or other protection afforded to the Interim Receiver under any applicable law.

INTERIM RECEIVER'S ACCOUNTS

23. The Interim Receiver and counsel to the Interim Receiver shall be paid their reasonable fees and disbursements, in each case, incurred at their standard rates and charges.

24. The Interim Receiver and counsel to the Interim Receiver shall be entitled to the benefits of and are hereby granted a charge (the **"Interim Receiver's Charge"**) on the Property, which charge shall not exceed an aggregate amount of $250,000, as security for their professional fees and disbursements incurred at the normal rates and charges of the Interim Receiver and such counsel, both before and after the making of this Order in respect of these proceedings, and the Interim Receiver's Charge shall form a first charge on the Property in priority to all security interests, trusts, deemed trusts, liens, charges and encumbrances, statutory or otherwise, in favour of any person but subject to sections 14.06(7), 81.4(4) and 81.6(2) of the BIA.

25. The Interim Receiver and its legal counsel shall pass their accounts from time to time.

26. Prior to the passing of its accounts, the Interim Receiver shall be at liberty from time to time to apply reasonable amounts, out of the monies in its hands, against its fees and disbursements, including the legal fees and disbursements, incurred at the normal rates and charges of the Interim Receiver or its counsel, and such amounts shall constitute advances against its remuneration and disbursements when and as approved by this Court.

FUNDING OF THE INTERIM RECEIVERSHIP

27. Subject to prior approval of the Applicant, the Interim Receiver be at liberty and it is hereby empowered to borrow by way of a revolving credit or otherwise, such monies from time to time as it may consider necessary or desirable, provided that the outstanding principal amount does not exceed $2,000,000 (or such greater amount as this Court may by further order authorize) at any time, at such rate or rates of interest as it deems advisable for such period or periods of time as it may arrange, for the purpose of funding the exercise of the powers and duties conferred upon the Interim Receiver by this Order, including interim expenditures. The whole of the Property shall be and is hereby charged by way of a fixed and specific charge (the "**Interim Receiver's Borrowings Charge**") as security for the payment of the monies borrowed, together with interest and charges thereon, in priority to all security interests, trusts, deemed trusts, liens, charges and encumbrances, statutory or otherwise, in favour of any Person, but subordinate in priority to the Interim Receiver's Charge and the charges set out in sections 14.06(7), 81.4(4) and 81.6(2) of the BIA.

28. Neither the Interim Receiver's Borrowings Charge nor any other security granted by the Interim Receiver in connection with its borrowings under this Order shall be enforced without leave of this Court.

29. The Interim Receiver is at liberty and authorized to issue certificates substantially in the form annexed as **Schedule "B"** hereto (the "**Interim Receiver's Certificates**") for any amount borrowed by it pursuant to this Order.

30. The monies from time to time borrowed by the Interim Receiver pursuant to this Order or any further order of this Court and any and all Interim Receiver's Certificates evidencing the same or any part thereof shall rank on a pari passu basis, unless otherwise agreed to by the holders of any prior issued Interim Receiver's Certificates.

31. The Interim Receiver shall be allowed to repay any amounts borrowed by way of Interim Receiver's Certificates out of the Property or any proceeds, including any proceeds from the sale of any assets without further approval of this Court.

ALLOCATION

32. Any interested party may apply to this Court on notice to any other party likely to be affected, for an order allocating the Interim Receiver's Charge and the Interim Receiver's Borrowings Charge amongst the various assets comprising the Property.

GENERAL

33. For greater certainty, neither the Interim Receiver's Charge nor the Interim Receiver's Borrowing Charge shall apply or attach to the Excluded Property.

34. The Interim Receiver may from time to time apply to this Court for advice and directions in the discharge of its powers and duties hereunder.

35. Unless otherwise ordered by this Court, the Interim Receiver will report to the Court from time to time, which reporting is not required to be in affidavit form and shall be considered by this Court as evidence. The Interim Receiver's reports shall be filed by the registry notwithstanding that they do not include an original signature.

36. Nothing in this Order shall prevent the Interim Receiver from acting as a receiver, a receiver and manager, a trustee in bankruptcy, or a monitor of the Debtor.

37. This Court hereby requests the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in any foreign jurisdiction to give effect to this Order and to assist the Interim Receiver and its agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby

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respectfully requested to make such orders and to provide such assistance to the Interim Receiver, as an officer of this Court, as may be necessary or desirable to give effect to this Order, to grant representative status to the Interim Receiver in any foreign proceeding, or to assist the Interim Receiver and its agents in carrying out the terms of this Order.

38. The Interim Receiver be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order and that the Interim Receiver is authorized and empowered to act as a representative in respect of the within proceedings for the purpose of having these proceedings recognized in a jurisdiction outside Canada.

39. The Applicant shall have its costs of this application, up to and including entry and service of this Order, provided for by the terms of the Applicant's security or, if not so provided by the Applicant's security, then on a substantial indemnity basis, including legal costs on a solicitor-client full indemnity basis, to be paid by the Interim Receiver from the Debtor's estate with such priority and at such time as this Court may determine.

40. Any interested party may apply to this Court to vary or amend this Order on not less than 7 days' notice to the Interim Receiver and to any other party likely to be affected by the order sought or upon such other notice, if any, as this Court may order.

FILING

41. The Interim Receiver shall establish and maintain a website in respect of these proceedings at www.grantthornton.ca/cfl (the "**Interim Receiver's Website**") and shall post there as soon as practicable:

(a) all materials prescribed by statue or regulation to be made publicly available; and

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(b) all applications, reports, affidavits, orders and other materials filed in these proceedings by or on behalf of the Interim Receiver, or served upon it, except such materials as are confidential and the subject of a sealing order or pending application for a sealing order.

42. Service of this Order shall be deemed good and sufficient by:

a. serving the same on:

(i) the persons listed on the service list created in these proceedings or otherwise served with notice of these proceedings;

(ii) any other person served with notice of the application for this Order;

(iii) any other parties attending or represented at the application for this Order; and

b. posting a copy of this Order on the Interim Receiver's Website.

and service on any other person is hereby dispensed with.

43. Service of this Order may be effected by facsimile, electronic mail, personal delivery or courier. Service is deemed to be effected the next business day following transmission or delivery of this Order.

DATED at St. John's, in the Province of Newfoundland and Labrador, this 21 day of February, 2022.

~~COURT~~
OFFICER

R.W.

SCHEDULE "A"

Defined Terms

"**Excluded Property**" means: (i) any and all Receivables and / or Financed Receivables, as such terms are defined pursuant to a Trade Invoice Recourse Financing Facility Agreement between HSBC and Canada Fluorspar (NL) Inc. dated May 25, 2018, as amended, together with all rights and remedies arising thereunder, insurance policies and proceeds resulting therefrom, and proceeds generally, and (ii) all Export Development Canada insurance policies or support in favour of HSBC.

"**HSBC**" means HSBC Bank Canada.

R.W.

SCHEDULE "B"

Interim Receiver Certificate

Certificate No.

Amount $

This is to certify that Grant Thornton Limited, the interim receiver (the "**Interim Receiver**") of the assets, undertakings, and properties of Canada Fluorspar (NL) Inc., and Canada Fluorspar Inc., (the "**Debtors**") acquired for, or used in relation to, a business carried on by the Debtors, including all proceeds thereof (collectively, the "**Property**") appointed by order of the Supreme Court of Newfoundland and Labrador (the "**Court**") dated the day of February, 2022 (the "**Order**") made in an action having court file number 2022 01G 0709, has received as such Interim Receiver from the holder of this certificate (the "**Lender**") the principal sum of $, being part of the total principal sum of $ which the Interim Receiver is authorized to borrow under and pursuant to the Order.

The principal sum evidenced by this certificate is payable on demand by the Lender with interest thereon calculated and compounded [*monthly/semi-annually/annually/other*] not in advance on the day of each month after the date hereof at a rate per annum equal to the rate of per cent above the prime commercial lending rate of from time to time.

Such principal sum with interest thereon is, by the terms of the Order, together with the principal sums and interest thereon of all other certificates issued by the Interim Receiver pursuant to the Order or to any further order of the Court, a charge upon the whole of the Property (as defined in the Order), in priority to the security interests of any other person, but subject to the priority of the charges set out in the Order and in the *Bankruptcy and Insolvency Act*, and the right of the Interim Receiver to indemnify itself out of such Property in respect of its remuneration and expenses.

All sums payable in respect of principal and interest under this certificate are payable at the main office of the Lender at

Until all liability in respect of this certificate has been terminated, no certificates creating charges ranking or purporting to rank in priority to this certificate shall be issued by the Interim Receiver to any person other than the holder of this certificate without the prior written consent of the holder of this certificate.

The charge securing this certificate shall operate so as to permit the Interim Receiver to deal with the Property (as defined in the Order) as authorized by the Order and as authorized by any further or other order of the Court.

The Interim Receiver does not undertake, and it is not under any personal liability, to pay any sum in respect of which it may issue certificates under the terms of the Order.

[*signature page to follow*]

R.W

Dated the day of , 2022.

Grant Thornton Limited, solely in its capacity as Interim Receiver of the Property, and not in its personal capacity

Per: ______________________

Name:
Title:

J.W.

Appendix B

Canada Fluorspar (NL) Inc.
List of Creditors (CAD$)
Estimated as of March 4, 2022

Secured Creditors	Total
Bridging Finance Inc.	55,000,000.00
HSBC Canada ($17,684,097 * 1.273 USD/CAD)	22,511,855.48
Province of Newfoundland and Labrador	17,000,000.00
	94,511,855.48

Capital Leases	Total
BMO (re Harvey & Company)	157,911.95
CAT Financial Credit	705,450.39
De Lage Landen Financial	79,333.34
Epiroc Financial	19,253.30
Ford Credit	2,383.28
Komatsu Intl CA LNS	8,667,601.98
Meridian Financing	106,628.40
Quadra Flocculant System	74,685.67
	9,813,248.31

Unsecured Creditors	Total
A. Harvey & Co. LTD	132,904.21
Acklands - Grainger Inc.	22,668.89
Adaptive Marine Solutions Inc.	45,198.26
AGAT Laboratories	8,132.81
Aggregate Equipment (Prepayment Balance)	44,343.75
Agilent Technologies Canada Inc.	22,049.03
AGP Mining Consultants Inc.	45,490.75
Air Liquide Canada Inc.	94,358.66
Akita Equipment & Auto Transfer	55,545.00
Alitech Consulting Inc.	18,146.54
Ameritrol, Inc.	1,107.68
Andrew Moores	2,180.00
Argentia Freezers & Terminals (Division of A. Harvey)	2,819.73
Arthur Hann	2,362.74
Asgco Manufacturing Inc.	26,835.05
Asian Technologies Inc.	257.09
Atlantic Crane & Material Handling Limited	7,808.43
Atlantic Explosives Limited	1,868,553.24
Atlantic Purification Systems	17,825.18
Aylward's Home Centre - Marystown	6,427.58
Aylwards Home Centre - St. Lawrence	1,012.15
Baird & Associates	139,998.23
Basil Fearn (93) Limited	75,394.25
Battlefield Equipment	23,784.71
BDI a division of Bell Mobility Inc.	1,720.23
Bell Mobility	2,984.67
Belzona Atlantic Canada	3,353.40
Box L Mining and Ranching LLC	72,692.63

Brandt Tractor Ltd.	46,890.02
Brenco High Voltage Solutions	33,558.15
Brenton Industrial	6,218.31
Brenton Investments Limited	10,166.88
Brenton Rentals & Sales Ltd.	109,243.46
Bridging Finance Inc.	3,618.41
Bruce Sutherland Associates Limited	136.44
Burin Peninsula Chamber of Commerce	130.00
Butland Communications	16,732.72
CAFO Insurance	78,434.36
Cahill Fabrication Structural	43,121.55
Cahill Technical Services	2,029.75
Canadian Manufacturers & Exporters	862.50
Canadian Tire	6,439.99
Canadian Nuclear Safety Commission	45.18
Caraustar Industrial	66,451.97
CDW Canada Corp.	58,710.32
Century2K Inc	4,887.50
Ceridian Canada Ltd.	3,392.50
Chromalox	16,396.87
City Electric Supply	6,932.50
Cole Parmer	5,616.51
Concur Technologies Inc	368.46
Control Pro Distributors Inc.	10,623.98
Dallas Mercer Consulting Inc.	15,439.90
Dassault Systemes Canada Inc.	1,978.00
Davies Ward Phillips & Vineberg LLP	47,130.73
Davis Industrial Hygiene	4,600.00
De Lage Landen Financial Services Canada Inc.	2,383.33
DocuSign Inc.	8,326.99
Donaldson Company, Inc.	746.11
Dormody Engineering Incorporated	151,662.00
Dunphy's Transport Inc.	13,938.00
Eagle Crusher	1,000.96
Easy-Kilen Pressure System Ltd.	1,409.78
East Coast Hydraulics Nfld Ltd.	11,247.28
East Coast Metal Fabrication (2016) Inc.	1,035.00
Eastern Analytical Ltd.	27,517.10
Eastern Composite Services Inc.	73,560.17
Eastlink	2,655.24
Edward Kelly	1,569.97
Eggerding B.V.	18,380.70
Electronic Centre Limited	535.22
Emberley's Transport Ltd.	54,820.70
Emco Waterworks	89,641.55
Export Development Canada	14,036.16
Farrell's Excavating Ltd.	619,383.19
Federal Express Canada Ltd.	31.70
FILTERFAB COMPANY	862.96
FLS Transportation Services	12,076.80
FLSmidth Inc. - Salt Lake City Operations	63,554.17
Fuze Logistics Services Inc.	10,010.75

GCR Tires & Service - Div. of Bridgestone Canada Inc.	2,168,074.44
General Auto & Industrial	537,926.19
GFL Environmental Services, Inc.	4,328.89
Golden Gate Capital	25,309.27
Golder Associates Ltd.	9,810.45
Graham Tobin	12,650.00
Graybar Canada Limited	2,483.03
Groeneveld Lubrication Solutions Inc.	6,102.36
Guy J. Bailey Ltd.	1,725.00
H2FLOW Equipment Inc.	1,342.67
Hamilton Equipment Company, Inc	499.62
Head, Johnson, Kachigian & Wilkson, PC	38,019.04
HERCULES SLR INC.	102,314.87
Hi- Tech Scales LTD	22,477.56
Hi-Point Industries	16,656.03
Hiscock's Spring Service	4,592.20
Hitech Communications Ltd.	27,634.55
Horsburgh & Scott	4,152.65
Hoskin Scientific	552.00
Hotsy Water Blast Manufacturieng	1,045.81
Hubert Beck	1,800.00
Imprint Speciality Promotions Limited	20,196.30
Inaminka Marine Services Ltd.	130,081.02
Inspectorate America Corporation (Bureau Veritas) FX 1.26	82,730.58
ICS Wear Group Inc.	6,078.33
IRL Supplies	706.69
Jenike & Johanson Ltd.	16,706.50
Jewer Bailey Consultants Ltd.	25,766.90
JMT of New York Inc.	747.50
K&D Pratt	1,202.89
Kal Tire	185,808.61
Kiewit Offshore Services, a div of PKSU	132,283.08
Knight Piesold	14,531.59
Knightsbridge Robertson Surrette	94,231.00
Laurentide Controls Ltd.	81,400.16
LGL Limited	31,259.83
Liftow Ltd	140,512.26
LSW Wear Parts Ltd.	6,203.29
M&M Quick Copy	11,718.62
Major's Contracting Ltd	754,028.58
Mallay's Industrial Services Ltd.	61,189.30
Manulife Financial	63,409.25
Maples and Calder	1,457.30
Marystown Ford Sales	1,532.31
Metso Outotec Canada Inc.	2,102.09
Mikan Scientific Inc.	13,749.29
Modern Business Equipment	7,161.43
Montreal Tractor Inc.	1,788.27
Morrison Hershfield	20,102.00
M-Roc Ltd.	1,333,479.86
Multotec Canada Ltd.	51,750.98
Newfound Forming Limited	5,750.00

Newfound Mechanical Limited	146,323.13
Newfoundland Distributors Ltd.	5,629.86
Newfoundland Marine Surveys Inc.	2,781.08
Newfoundland Power	566,847.84
Norman Marine Services	56,064.80
Norman Wilson	9,395.00
North Atlantic Systems Inc.	3,953.77
OK Tire - B&W Property Enterprises (2013) Ltd.	86,723.44
Orkin Canada	2,962.40
Ormac Industrial Supply Inc.	86,039.47
OSIsoft LLC	100,969.96
Oxford Instruments America Inc.	20,483.60
Pardy's Recreation & Marine Ltd.	28,638.05
Pardy's Waste Management	205,209.00
Parts for Trucks, Inc.	4,748.84
PBA Industrial Supplies Ltd.	10,815.75
PEAK Design Limited	2,300.00
Peninsula Castle	4,192.07
Peninsula Glass & Tire	957.95
Pennecon Grand Banks Warehousing	486,953.27
Pennecon Technical Services Limited	109,912.12
Peter Kiewit Sons ULC	18,669.86
Pike's Building Centre	110.91
Price Waterhouse Coopers LLP	5,045.05
Provincial Fence Products Limited	87.98
Puglisevich Crews & Services Limited	2,277.00
Quadra Chemicals Inc.	144,424.33
R&E TRANSPORTATION	13,786.75
R. Pittman Enterprises	8,625.00
Receiver General	27,632.19
Rideout Tool and Machine Inc.	21,484.22
Riverside Aggregate Solutions Inc.	15,063.24
RJG Construction Limited	226,100.10
RoBulog, Rotterdam Bulk Logistics	27,607.00
Rock Safety Industrial Ltd.	31,322.76
Rothlochston Subsea Inc	6,546.72
Russel Metals Inc.	8,422.60
RYKE Reliability Inc.	117,069.30
S&S Supply	2,852.00
S.E. International	120.69
SANSOM Equipment Ltd.	99,726.35
Scandinavian Fittings & Flanges Canada Inc.	15,277.75
Seabulk Inc	15,480.94
Sepor, Inc	594.43
Sepro Mixing & Pumping Corp.	48,202.75
SGS Nederland BV	10,236.89
SGS North America, Inc.	1,708.29
Shred-it International ULC	1,947.11
Siebtechnik Tema	76,861.59
Slack Technologies, LLC	32,363.76
SMS Equipment Inc.	4,775,232.96
Soutex Inc.	46,497.44

SP Excavating Inc.	20,527.50
Spartan Industrial Marine	607.09
St. Lawrence Clover Farm	7,989.37
St. Lawrence Pharmacy	1,100.00
Staples Advantage/Corporate Express	21,048.23
Stellar Industrial Sales Ltd.	4,044.02
Summit Mechanical Services (2020) Limited	24,754.20
T R Excavating Inc.	270,908.73
Tag Team Mechanical	6,563.97
Tamal Industrial Rubber Limited	1,706.90
Tank Connection LLC	2,299.71
Tega Industries Canada Inc.	68,943.67
TEMA ISENMANN, Inc.	9,202.80
Thermo Fisher	4,954.98
Tiller Engineering Inc.	17,250.00
Tobin's Efficiency Units	7,590.00
Toromont CAT	274,467.87
trajectorE Engineering Inc.	11,500.00
United Rentals of Canada Inc.	172,160.74
UPS Canada	197.46
Vallen Canada Inc	75,532.89
Valmin Fire Protection Ltd	91,592.44
Vipond Inc.	2,760.00
Vision 33	11,258.67
Wajax Industrial Components	48,513.00
Wally Drake's Trucking	28,076.77
Walter Loder	12,132.50
Wamic Holdings Inc.	1,444.25
Water Blast Manufacturing LP	860.60
Weir Minerals	353,298.16
WESCO Distribution Canada LP	119,854.98
Western Alliance Logistics	5,554.50
Western Petroleum Newfoundland Limited	2,559,283.86
Westlund, a Division of EMCO	14,797.40
Williams Scotsman	11,531.66
Wiscombe's Cleaning	8,029.73
	22,759,806.42

Appendix C

Consolidated financial statements of Canada Fluorspar Inc.

December 31, 2020

Deloitte.

Deloitte LLP
5 Springdale Street
Suite 1000
St. John's, NL A1E 0E4
Canada

Tel: 709-576-8480
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Independent Auditor's Report

To the Shareholders of
Canada Fluorspar Inc.

We have audited the consolidated financial statements of Canada Fluorspar Inc. (the "Corporation"), which comprise the consolidated statement of financial position as at December 31, 2020, and the consolidated statements of comprehensive loss, the changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty related to Going Concern

We draw attention to Note 1, 13 and 25 in the financial statements, which indicates that the Corporation incurred a net and comprehensive loss of $29,241,211 during the year ended December 31, 2020, and as of that date, the Corporation's current liabilities exceeded its current assets by $81,855,613. In addition $79,903,542 of debt was scheduled to mature during the year ended December 31, 2021, of which $62,507,492 was extended to mature on March 31, 2022, and $17,000,000 was extended to mature on December 31, 2022.

As stated in Note 1, these events or conditions, along with other matters as set forth in Note 13 and 25, indicate that a material uncertainty exists that may cast significant doubt on the Corporation's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Deloitte LLP

Chartered Professional Accountants
December 23, 2021
St. John's, Newfoundland and Labrador

Canada Fluorspar Inc.
Consolidated statement of comprehensive loss
Year ended December 31, 2020
(Expressed in Canadian dollars)

	Notes	2020 $	2019 $
Revenue			
Sales	1	**24,391,202**	—
Government wage subsidy	24	**5,473,884**	—
Interest and other income		**224,548**	423,066
		30,089,634	423,066
Cost of operations			
Mine	4	**12,589,574**	—
Mill	4	**11,212,958**	—
Depletion, depreciation and amortization		**12,008,123**	—
General and administrative	4	**10,768,487**	5,942,752
Freight on sales		**3,917,459**	—
		50,496,601	5,942,752
Loss before undernoted items		**(20,406,967)**	(5,519,686)
Other expenses (income)			
Interest expense		**7,697,945**	—
Unrealized/realized foreign exchange loss		**786,687**	479,733
Other expenses		**506,985**	1,162,619
Gain on modification of debt	13	**(345,410)**	—
Accretion expense	13	**188,037**	224,028
Loss on equity investment	12	**—**	450,459
Loss on disposal of property, plant & equipment		**—**	2,345,359
		8,834,244	4,662,198
Net loss and comprehensive loss before income taxes		**(29,241,211)**	(10,181,884)
Deferred income tax recovery	5	**—**	3,138,324
Net loss and comprehensive loss		**(29,241,211)**	(7,043,560)

The accompanying notes are an integral part of the consolidated financial statements.

Canada Fluorspar Inc.
Consolidated statement of financial position
As at December 31, 2020
(Expressed in Canadian dollars)

	Notes	2020 $	2019 $
Assets			
Current assets			
Cash		**301,161**	4,504,520
Accounts receivable	6	**15,573,874**	11,247,008
Inventory	7	**11,432,350**	4,341,382
Prepaids		**1,241,988**	1,637,117
		28,549,373	21,730,027
Non-current assets			
Long-term receivables	6	**8,084,965**	6,610,400
Exploration and evaluation expenditures	8	**466,481**	9,885,005
Mineral properties	9	**117,972,497**	48,347,291
Construction in progress	10	**20,589,103**	262,048,496
Property, plant and equipment	11	**221,370,672**	23,310,242
Goodwill	22	**13,882,249**	13,882,249
		410,915,340	385,813,710
Liabilities			
Current liabilities			
Credit facility	13	**10,428,788**	1,950,618
Accounts payable and accrued liabilities		**17,214,027**	25,117,329
Current portion of long-term debt	13	**79,903,542**	62,952,144
Current portion of lease liability	14	**2,858,629**	4,811,484
		110,404,986	94,831,575
Long-term liabilities			
Long-term debt	13	**2,907,267**	20,244,174
Deferred revenue	15	**50,260,419**	43,760,444
Provision for closure and reclamation	16	**8,084,965**	6,610,400
Lease Liability	14	**3,716,137**	5,113,238
		175,373,774	170,559,831
Basis of presentation	1		
Commitments and contingencies	21		
Subsequent events	25		
Total equity	18	**235,541,566**	215,253,879
Total liabilities and equity		**410,915,340**	385,813,710

The accompanying notes are an integral part of the consolidated financial statements.

Approved by the Board

____________________________, Director

____________________________, Director

Canada Fluorspar Inc.
Consolidated statement of changes in equity
Year ended December 31, 2020
(Expressed in Canadian dollars)

	Share capital $	Contributed surplus $	Share-based payment reserve $	(Deficit) retained earnings $	Total equity $
As at December 31, 2018	136,029,192	1,751,520	272,080	(2,276,537)	135,776,255
Comprehensive loss for the year	—	—	—	(7,043,560)	(7,043,560)
Equity contribution by owners, net of related costs	86,443,581	—	—	—	86,443,581
Purchase of shares	75,000	—	—	—	75,000
Share option forfeiture	—	—	2,603	—	2,603
As at December 31, 2019	**222,547,773**	**1,751,520**	**274,683**	**(9,320,097)**	**215,253,879**
Comprehensive loss for the year	**—**	**—**	**—**	**(29,241,211)**	**(29,241,211)**
Equity contribution by owners, net of related costs	**49,528,898**	**—**	**—**	**—**	**49,528,898**
As at December 31, 2020	**272,076,671**	**1,751,520**	**274,683**	**(38,561,308)**	**235,541,566**

The accompanying notes are an integral part of the consolidated financial statements.

Canada Fluorspar Inc.
Consolidated statement of cash flows
Year ended December 31, 2020
(Expressed in Canadian dollars)

	Notes	2020 $	2019 $
Operating activities			
Net loss		**(29,241,211)**	(7,043,560)
Adjustments for non-cash items			
Accretion of government grant	13	**188,037**	224,028
Gain on modification of debt	13	**(345,410)**	—
Share option forfeiture		**—**	2,603
Loss on equity investment	12	**—**	450,459
Loss on disposal		**—**	2,345,359
Depletion, depreciation and amortization		**12,008,123**	96,264
Deferred income taxes (recovery)	5	**—**	(3,138,324)
Interest expense on deferred revenue	15	**3,249,987**	—
Change in non-cash operating working capital			
(Increase)/decrease in accounts receivable		**(4,326,866)**	2,192,821
Increase in inventory		**(7,090,968)**	(2,693,885)
Decrease/(increase) in prepaids		**395,129**	(1,193,696)
(Decrease)/increase in accounts payable		**(7,903,302)**	8,199,223
Increase/(decrease) in credit facility		**8,478,170**	(4,369,903)
		(24,588,311)	(4,928,611)
Financing activities			
Repayment of long-term debt		**(228,136)**	(717,204)
Repayment of lease liability		**(5,225,233)**	(5,240,032)
Proceeds from disposal of assets		**—**	100
Equity investment by parent	18	**49,528,898**	86,443,581
Equity investment through share purchase		**—**	75,000
		44,075,529	80,561,445
Investing activities			
Mine rehabilitation and closure plan payment	16	**(1,474,565)**	(1,850,300)
Exploration and evaluation expenditures	8	**(466,481)**	(622,103)
Purchase of mineral properties	9	**(3,547,452)**	—
Purchases for construction of AGS Project	10	**(10,890,427)**	(60,196,392)
Purchase of property, plant and equipment	11	**(7,311,652)**	(10,910,239)
		(23,690,577)	(73,579,034)
Net (decrease) increase in cash		**(4,203,359)**	2,053,800
Cash at beginning of year		**4,504,520**	2,450,720
Cash at end of year		**301,161**	4,504,520
Supplemental disclosure			
Interest paid		**9,378,562**	10,010,982
Taxes paid		**—**	—

The accompanying notes are an integral part of the consolidated financial statements.

1. Corporate information and basis of presentation

Canada Fluorspar Inc. (the "Corporation") was incorporated on June 30, 1993 as Northern Resource Investments Ltd. under the laws of Saskatchewan and was continued in Alberta as of July 31, 1996 as Burin Fluorspar Ltd. ("Burin"), until a merger on April 15, 2009 between Burin and Rivera Capital Corp ("Rivera") created Canada Fluorspar Inc. under the laws of Alberta.

The Corporation and CF Acquisition Inc., a wholly owned subsidiary of Golden Gate Capital, completed a court-approved plan of arrangement under Section 182 of the Business Corporations Act (Ontario) on March 6, 2014. The shares of the Corporation were then delisted from the TSX Venture Exchange immediately following the acquisition. The Corporation and CF Acquisition Inc. amalgamated, and the newly amalgamated entity is considered a continuation of Canada Fluorspar Inc.

The Corporation is domiciled in Canada. The Corporation's registered office is located at 155 Wellington Street West, Toronto, ON, M5V 3J7 and its head office is located at P.O. Box 337, 1 Clarke's Pond Road, St. Lawrence, Newfoundland and Labrador, A0E 2V0. The Corporation's parent is CF Holdings SARL and the ultimate parent of the group is Golden Gate Capital.

These statements are prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS").

The Corporation achieved commercial production on the AGS project in St. Lawrence, Newfoundland and Labrador in June 2020. Management considered several factors in determining when commercial production was achieved including, among other things, the ability to sustain ongoing production at a steady or increasing rate and at a level of pre-determined percentage of design capacity. From an accounting perspective, the Corporation recognized commercial production effective July 1, 2020, being the first day of the month following satisfaction of the commercial production criteria. Effective this date, the Corporation's stockpiled ore was reclassified from construction in progress (Note 10) to inventory (Note 7), construction in progress was componentized into mineral properties (Note 9) and appropriate asset classes (Note 11), depreciation and depletion commenced, and revenue and operating expenses related to the sale of fluorspar started being recognized through profit and loss.

These financial statements have been prepared on a going concern basis, which contemplates the realization of the Corporation's assets and discharge of liabilities and commitments in the normal course of business. The Corporation has a net and comprehensive loss of $29,241,211 during the year ended December 31, 2020 (2019 - $10,181,884), and as of that date, the Corporation's current liabilities exceeded its current assets by $81,855,613 (2019 - $73,101,548).

The continued operations of the Corporation are dependent upon its ability to increase operating cashflows from the AGS project and obtaining adequate external financing.

These consolidated financial statements were approved by the Board of Directors on November 19, 2021.

2. Summary of significant accounting policies

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at revalued amounts or fair values, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The principal accounting policies are set out below.

(a) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Corporation, its subsidiaries and the Newspar Partnership as at December 31, 2020. Canada Fluorspar (NL) Inc. and the Newspar Partnership are wholly owned subsidiaries.

2. Summary of significant accounting policies (continued)

(a) Basis of consolidation (continued)

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Corporation obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiary are prepared for the same reporting period as the parent company using consistent IFRS accounting policies. All intra-group balances, income and expenses, unrealized gains and losses, and dividends, if any, resulting from intra-group transactions are eliminated upon consolidation.

The Corporation accounts for its interests in Canada Fluorspar (NL) Inc. and Newspar as subsidiaries and consolidates its 100% share of the assets, liabilities, income and expenses of both.

(b) Foreign currency translation

The Corporation's consolidated financial statements are presented in Canadian dollars, which is also the functional currency of the Corporation and its subsidiaries. Each entity determines its own functional currency and items included in the financial statements of each entity are measured using their respective functional currency.

Transactions in foreign currencies are initially recorded at their respective functional currency rates prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rate of exchange prevailing at the reporting date.

All gains or losses on foreign currency translation are recognized in profit or loss.

(c) Revenue recognition

The Corporation evaluates all contractual arrangements it enters into and evaluates the nature of the promises it makes, and rights and obligations under the arrangement, in determining the nature of its performance obligations. Where such performance obligations are concluded to be distinct from each other, the consideration to which the Corporation expects to be entitled under the arrangement is allocated to each performance obligation based on its relative estimated stand-alone selling prices. Performance obligations that are concluded not to be distinct are combined together into a single unit of account. Revenue is recognized at an amount equal to the transaction price allocated to the specific performance obligation when it is satisfied.

Revenue from the direct sale of concentrate for a fixed price is recognized when the Corporation transfers control of the good to the customer.

Revenue excludes duties and taxes collected on behalf of third parties. Revenue also includes the net consideration to which the Corporation expects to be entitled. Revenue is recognized to the extent that it is highly probable that a significant reversal will not occur. Generally, payment of the transaction price is due within credit terms that are consistent with industry practices.

(d) Income taxes

Income tax comprises current and deferred income tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive income.

2. Summary of significant accounting policies (continued)

(d) Income taxes (continued)

Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to Canadian taxation authorities. Current tax expense comprises the expected tax payable on taxable income for the period using tax rates enacted or substantively enacted in Canada at the reporting date, and any adjustment to tax payable in respect of previous periods. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation.

Deferred tax

Deferred tax is measured using the liability method in respect of temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to offset current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend to settle current tax assets and liabilities on a net basis or simultaneously in each future period in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

(e) Government grants

Government grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognized as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, it reduces the carrying amount of the asset. The grant is then recognized in profit or loss over the useful life of a depreciable asset by way of a reduced depreciation charge. Certain government grants may also be measured at a nominal amount.

2. Summary of significant accounting policies (continued)

(f) Financial instruments

Financial assets and liabilities are initially measured at fair value and are recognized in the Corporation's Statements of Financial Position when the Corporation becomes a party to the contractual provisions of the instrument. Transaction costs that are directly attributable to the acquisition or issue of financial assets and liabilities (other than financial assets and financial liabilities at fair value through profit or loss ("FVTPL")), are added to or deducted from the fair value of the financial assets or liabilities on initial recognition. Transaction costs that are directly attributable to the acquisition or issue of financial assets and liabilities at FVTPL are recognized immediately in profit or loss.

Financial assets

Financial assets are initially recorded at fair value and are measured subsequently at either amortized cost, fair value through other comprehensive income, or fair value through profit or loss depending on the classification of the financial assets.

Amortized cost

Financial assets are measured subsequently at amortized cost using the effective interest rate method if acquired principally to collect contractual cash flows of principal and interest on specified dates. Interest income calculated using the effective interest rate method is recognized in profit or loss through "interest and financing costs, net" on the Consolidated Statement of Comprehensive Loss.

Fair Value Through Other Comprehensive Income ("FVTOCI")

Financial assets are measured subsequently at FVTOCI using the effective interest rate method if acquired to collect contractual cash flows of principal and interest on specified dates and to sell the financial asset. Interest income calculated using the effective interest rate method is recognized in profit or loss through "interest and financing costs, net" on the Consolidated Statement of Comprehensive Loss. Any other changes to the carrying amount of the financial asset are recognized in OCI.

Fair Value Through Profit or Loss ("FVTPL")

Financial assets are measured subsequently at FVTPL by default or do not meet the criteria for being measured at amortized cost or FVTOCI. Fair value gains or losses at the end of each reporting period are recognized in profit or loss through "interest and financing costs, net" on the Consolidated Statement of Comprehensive Loss to the extent they are not part of a designated hedging relationship.

Impairment of Financial Assets

At the end of each reporting period, the Corporation assesses whether to recognize a loss allowance for expected credit losses ("ECL") for a financial asset or a group of financial assets, other than those classified as FVTPL. If there is objective evidence that an ECL exists, the loss is recognized in profit or loss with a corresponding adjustment to the carrying amount of the financial asset through a loss allowance account. The ECL is estimated as the difference between the contractual cash flows that the Corporation is entitled to receive and the cash flows that the Corporation expects to receive.

2. Summary of significant accounting policies (continued)

(f) Financial instruments (continued)

Financial liabilities

Financial liabilities that are held-for-trading are measured subsequently at FVTPL, with gains and losses arising on changes in fair value recognized in profit or loss through "interest and financing costs, net" on the Consolidated Statement of Comprehensive Loss to the extent they are not part of a designated hedging relationship. Changes in fair value of the financial liability due to changes in the credit risk of the liability is recognized in OCI, unless the recognition of the effects of changes in the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss.

All other financial liabilities not designated as at FVTPL are measured subsequently at amortized cost using the effective interest rate method.

Classification of Financial Instruments

The following table summarizes the Corporation's selected financial instrument classifications based on its intentions:

Financial Instruments	Classification
Other financial asset/liability	FVTPL
Cash	Amortized cost
Accounts receivable	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Bank indebtedness	Amortized cost
Long-term debt	Amortized cost
Lease liability	Amortized cost

(g) Mineral properties

The costs associated with mining properties include acquired interests in production, development and exploration stage properties representing the fair value at the time they were acquired. Mining properties include costs directly attributable to bringing a mineral asset into the state where it is capable of operating in the manner intended by management.

The Corporation estimates its mineral reserves and mineral resources based on information compiled by appropriately qualified persons. The estimation of recoverable reserves will be impacted by forecasted commodity prices, exchange rates, production costs and recoveries among other factors. Changes in the reserve or resource estimates may impact the carrying value of assets and depreciation and impairment charges recorded in the consolidated income statement.

A mining property is considered to be capable of operating in a manner intended by management when it commences commercial production. Upon commencement of commercial production, a mining property is depleted on a unit-of-production method. Unit-of-production depletion rates are determined based on the estimated recoverable proven and probable reserves at the mine.

(h) Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and impairment losses.

2. Summary of significant accounting policies (continued)

(h) Property, plant and equipment (continued)

An item of property, plant and equipment and any significant part initially recognized is de-recognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss when the asset is de-recognized.

The assets' residual values, useful lives, and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

Mining equipment is predominantly depreciated using the machine hour rate of depreciation. This rate is calculated using cost less any residual value divided by useful life in machine hours, which range from 25,000–35,000 hours. The remaining property plant and equipment is depreciated on a straight line basis and have useful lives ranging from 3 to 10 years. Depreciation related to the construction of assets has been capitalized as costs of construction during the year.

Assets under construction are carried at cost, less any recognized impairment loss. Assets under construction will be classified to the appropriate category of property, plant and equipment when completed and ready for their intended use. Depreciation on these assets, on the same basis as other property, plant and equipment assets, commences when the assets are ready for their intended use.

(i) Exploration and evaluation expenditures

Exploration and evaluation expenditures relate to costs incurred on the exploration and evaluation of potential mineral reserves and resources and include costs such as exploratory drilling, sample testing and the costs of pre-feasibility studies. Exploration and evaluation expenditures for each area of interest are carried forward as an asset provided that one of the following conditions is met:

- Such costs are expected to be recouped in full through successful development and exploration of the area of interest or, alternatively, by its sale; or
- Exploration and evaluation activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active and significant operations in relation to the area are continuing or planned for the future.

An impairment review is performed, either individually or at the cash-generating unit level, when there are indicators that the carrying amount of the assets may exceed their recoverable amounts. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less cost to sell and its value in use.

One or more of the following facts and circumstances may indicate that the Corporation should test exploration and evaluation assets for impairment:

(a) The period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;

(b) Substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;

(c) Exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; or

2. Summary of significant accounting policies (continued)

(i) Exploration and evaluation expenditures (continued)

(d) Sufficient data exist that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

The Corporation has determined that there is no impairment of exploration and evaluation expenditures in the year ended December 31, 2020.

Exploration and evaluation expenditures are transferred to mineral properties once the work is completed to support the future development of the property and the mine moves into the development stage.

(j) Cash

Cash comprise cash on deposit at banks, cash on hand and net of outstanding bank overdrafts, if any.

(k) Inventory

Inventory consists of stockpile and supplies. Fluorspar concentrate stockpiles are valued at the lower of cost and net realizable value. Net realizable value is the relevant market price less estimated costs of completion and costs of selling the final product. Cost is determined by the weighted average method and comprises raw materials, direct labour, repairs and maintenance, utilities, and mine and mill site overhead expenses, including depreciation, incurred in producing finished goods.

Material supplies are used during various stages of the fluorspar mining, processing, and milling processes, and are valued at the lower of weighted average cost and net realizable value.

(l) Provisions

Decommissioning and restoration provision

The Corporation records the present value of estimated costs of legal and constructive obligations required to restore operating locations in the period in which the obligation is incurred. The nature of these restoration activities includes dismantling and removing structures, rehabilitating mines and tailings dams, dismantling operating facilities, closure of plant and waste sites, and restoration, reclamation, and re-vegetation of affected areas.

The obligation generally arises when the asset is installed or the ground/environment is disturbed at the production location. When the liability is initially recognized, the present value of the estimated costs is capitalized by increasing the carrying amount of the related mining assets to the extent that it was incurred by the development and construction of the mine. Over time, the discounted liability is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability.

The periodic unwinding of the discount is recognized in profit or loss as a finance cost. Additional disturbances or changes in rehabilitation costs will be recognized as additions or charges to the corresponding assets and rehabilitation liability when they occur.

As the Corporation's construction to date has resulted in site disturbance it has recorded a provision for closure and reclamation (Note 16).

2. Summary of significant accounting policies (continued)

(m) Share-based payments

The Corporation has a stock option plan which is considered an equity-settled share-based compensation plan. The fair value of stock options at the grant date is estimated using the Black-Scholes Option Pricing Model. Compensation expense is recognized over the stock option vesting period in profit or loss based on the number of options to vest. The Corporation estimates the number of awards likely to vest at the time of a grant and at each reporting date up to the vesting date and based on management's estimate of the outcome of the performance condition. When compensation expense is recognized the offset is credited to share-based payment reserve. Consideration received on the exercise of share options is recorded as share capital and the related share-based payment reserve is transferred to share capital.

(n) Business combinations and goodwill

Applying the acquisition method to business combinations requires each identifiable asset and liability to be measured at its acquisition-date fair value. The excess, if any, of the fair value of consideration over the fair value of the net identifiable assets acquired is recognized as goodwill. The determination of the acquisition-date fair values often requires management to make assumptions and estimates about future events. The assumptions and estimates with respect to determining the fair value of royalty interest in mineral properties and exploration and evaluation assets acquired generally requires a high degree of judgment, and include estimates of mineral reserves and resources acquired, expected production levels, future prices and discount rates.

Changes in any of the assumptions or estimates used in determining the fair value of acquired assets and liabilities could impact the amounts assigned to assets, liabilities and goodwill in the purchase price allocation. Acquisition-related costs are recognized in the consolidated statement of comprehensive loss.

Where a business combination is achieved in stages, the Corporation's previously held interests in the acquired entity is remeasured to fair value at the acquisition date, which is the date the Corporation attains control, and any resulting gain or loss is recognized in the consolidated statement of comprehensive loss. Amounts previously recognized in other comprehensive income related to interests in the acquiree prior to the acquisition date are reclassified to the consolidated statement of comprehensive loss, where such treatment would be appropriate if the interest were disposed of.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree over the net of the acquisition of the business less accumulated impairment losses, if any, and is tested for impairment annually. For the purposes of impairment testing, goodwill is allocated to each of the Corporation's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

2. Summary of significant accounting policies (continued)

(o) Borrowing cost

Borrowing costs directly attributable to the acquisition, construction, and production of qualifying assets, which are assets that take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

(p) Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Corporation reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual cash-generating units or otherwise, they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to the present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash generating unit) is reduced to its recoverable amount. An impairment is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or-cash generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(q) Leases

The Corporation as a lessee

The Corporation assesses whether a contract is or contains a lease at inception of the contract. The Corporation recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Corporation recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

2. Summary of significant accounting policies (continued)

(q) Leases (continued)

The Corporation as a lessee (continued)

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the lessee uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Corporation remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Corporation did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Corporation incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognized and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Corporation expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

2. Summary of significant accounting policies (continued)

(q) Leases (continued)

The Corporation applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognized as an expense in the period in which the event or condition that triggers those payments occurs and are included in 'Other expenses' in profit or loss (see Note 13).

For a contract that contains a lease component and one or more additional lease or non-lease components, the Corporation allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

(r) Adoption of new accounting standards

The following is a list of standards/interpretations that have been issued and are effective for accounting periods commencing on or after January 1, 2020.

- IAS 1 – Presentation of Financial Statements and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors (Amendments to IAS 1 and IAS 8)
- IFRS 16 – Leases – COVID-19 Amendment
- IAS 16 – Property, Plant and Equipment – Proceeds before Intended Use (amendments to IAS 16)
- IAS 37 – Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Costs of Fulfilling a Contract (Amendments to IAS 37)
- IAS 1 – Presentation of Financial Statements – Classification of Liabilities as Current or Non-Current (Amendments to IAS 15)

(i) IAS 1 – Presentation of financial statements and IAS 8 – Accounting policies, Changes in accounting estimates and errors (Amendments to IAS 1 and IAS 8)

The International Accounting Standards Board issued amendments to IAS 1 and IAS 8 to align the definition of 'material' across the standards and to clarify certain aspects of the definition and to include the concept of 'obscuring information'.

The new definition states that "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity".

The amendments are effective for annual periods beginning on or after January 1, 2020, with earlier application permitted. The amendments are intended to improve the understanding of the existing requirements rather than to significantly impact the Corporation's materiality judgments. Management assessed that this did not have a material impact during the year.

(ii) IFRS 16 – Leases – COVID-19 Amendment

On May 28, 2020, the International Accounting Standards Board published 'COVID-19-Related Rent Concessions amending the standard to provide lessees with an exemption from assessing whether a COVID-19 related rent concession is a lease modification. The amendment is effective for annual reporting periods beginning on or after June 1, 2020. Management assessed that this did not have a material impact during the year.

2. Summary of significant accounting policies (continued)

(r) Adoption of new accounting standards (continued)

(iii) IAS 16 – Property, Plant and Equipment – Proceeds before Intended Use (amendments to IAS 16)

The IASB issued amendments to IAS 16 relating to proceeds before intended use. The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss. The amendments also clarify the meaning of 'testing whether an asset is functioning properly'. IAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes.

These amendments are applied retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The amendment is effective for annual reporting periods beginning on or after January 1, 2022.

(iv) IAS 37 – Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Costs of Fulfilling a Contract (Amendments to IAS 37)

The amendments to IAS 37 specify that the cost of fulfilling a contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract, such as direct labour and materials, or an allocation of other costs that relate directly to fulfilling contracts, such as the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract. These amendments apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments. Management has not assessed if this amendment is currently applicable to the Corporation, however, it may be applicable to future transactions. The amendment is effective for annual reporting periods beginning on or after January 1, 2022.

(v) *IAS 1 – Presentation of* Financial Statements – Classification of Liabilities as Current or Non-Current (Amendments to IAS 15)

The IASB issued amendments to IAS 1 to promote consistency in applying the requirements by helping companies determine whether, in the Statement of Financial Position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The classification is based on rights that are in existence at the end of the reporting period and specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability. The amendments are applied retrospectively upon adoption. The amendment is effective for annual reporting periods beginning on or after January 1, 2023.

3. Significant accounting judgments, estimates, and assumptions

The preparation of the Corporation's consolidated financial statements requires management to make judgments, estimates, and assumptions that affect the reported amounts of revenues, expenses, assets, and liabilities and the disclosure of contingent liabilities or contingent assets at the end of the reporting period. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Exploration and evaluation expenditures

The application of the Corporation's accounting policy for exploration and evaluation expenditures requires judgment in determining whether future economic benefits are likely either from future exploitation or sale or where the activities have not reached a stage which permits a reasonable assessment of the existence of reserves. The determination is an estimation process that requires varying degrees of uncertainty depending on sub-classification and these estimates directly impact the point of deferral of exploration and evaluation expenditures.

The deferral policy requires management to make certain estimates and assumptions about future events or circumstances, in particular whether an economically viable extraction operation can be established. If, after an expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in profit or loss in the period when the new information becomes available.

Commercialization

Prior to producing at levels of operating capacity intended by management, costs incurred are capitalized as part of construction in progress and proceeds from sales are offset against capitalized costs. Depletion of capitalized costs for mining properties begins when commercialization has been reached. Management considers several factors in determining when commercialization has been reached including, among other things, the ability to sustain ongoing production at a steady or increasing rate and at a level of pre-determined percentage of design capacity.

When a mine development project moves into the production stage, the capitalization of certain mine development and construction costs cease. Subsequent costs are either regarded as forming part of the cost of inventory or expensed. However, any costs relating to mining asset additions or improvements or mineable reserve development are assessed to determine whether capitalization is appropriate.

Provisions and contingencies

The amount recognized as a provision, including legal, contractual, constructive and other exposures or obligations, is the best estimate of the consideration required to settle the related liability, including any related interest charges, taking into account the risks and uncertainties surrounding the obligation. In addition, contingencies will only be resolved when one or more future events occur or fail to occur. Therefore, the assessment of contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events. The Corporation assesses its liabilities and contingencies based upon the best information available, relevant laws and other appropriate requirements.

(Expressed in Canadian dollars)

3. Significant accounting judgments, estimates, and assumptions (continued)

Income taxes

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the range of business relationships, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to taxable income and expense already recorded. The Corporation establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority.

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

4. Cost of operations

Within mine, mill and general and administrative, as presented on the consolidated statement of comprehensive loss, the Corporation has incurred the following expenses:

	2020	2019
	$	$
Mine		
Salaries and wages	**4,404,769**	—
Consultants and contractors	**1,210,137**	—
Materials and consumables	**6,700,419**	—
Other support costs	**274,249**	—
	12,589,574	—
Mill		
Salaries and wages	**3,796,443**	—
Consultants and contractors	**351,107**	—
Materials and consumables	**6,677,906**	—
Other support costs	**387,502**	—
	11,212,958	—
General and administrative		
Salaries and wages	**5,033,323**	1,270,272
Consultants and contractors	**773,373**	1,048,425
Materials and consumables	**784,470**	1,061,786
Other support costs	**4,177,321**	2,562,269
	10,768,487	5,942,752

Prior to commercialization, $25,466,979 of mining, milling, and G&A costs related to the development of the mine were capitalized within assets under construction during 2020.

(Expressed in Canadian dollars)

5. Income taxes

The major components of recovery and the reconciliation of the expected tax recovery based on the effective tax rate of 30% (2019 - 30%) and the reported tax recovery in the statement of comprehensive loss are as follows:

	2020	2019
	$	$
Current loss before income taxes	**(29,241,211)**	(10,181,694)
Statutory tax rate	**30%**	30%
Expected income tax recovery	**(8,772,363)**	(3,054,508)
Stock based compensation	**—**	—
Change in unrecognized temporary differences	**8,800,383**	4,309,579
Permanent differences	**2,281**	1,248
Revision of prior year estimates	**(30,302)**	(4,394,643)
Total	**(1)**	(3,138,324)

Deferred income tax assets and liabilities

Deferred taxes reflect the net tax effects of the differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred income tax assets, liabilities, and tax losses as at December 31, 2020, and December 31, 2019, are attributable to the following:

	2020	2019
	$	$
Mineral properties	**(35,391,750)**	(16,116,540)
Cumulative resource development and exploration expenditures	**13,282,706**	(6,283,171)
Long-term debt	**1,717,006**	2,769,205
Non-capital loss carry forward	**9,217,278**	11,685,752
Provision for closure and reclamation	**2,425,490**	1,983,120
Property, plant & equipment	**7,362,393**	5,474,151
Cumulative eligible capital expenditures	**153,292**	164,830
Deferred revenue	**974,996**	—
Other	**258,588**	322,653
Total	**—**	—

The Corporation recognizes tax benefits on losses or other deductible amounts where the probable criteria for the recognition of deferred tax assets has been met. The Corporation presently has non-capital loss carryforwards of $72,903,955 that will expire between 2026 and 2040 for which no deferred tax asset has been recognized.

(Expressed in Canadian dollars)

5. Income taxes (continued)

Deferred income tax assets and liabilities

The Corporation has non-capital losses totaling $72,903,955 (2019 - $54,152,196). These losses may be carried forward and applied against taxable income in future years. These losses, if not utilized, will expire as follows:

	$
2026	1,998
2027	234,039
2028	206,065
2029	458,334
2030	509,858
2031	809,403
2032	1,119,876
2033	1,291,954
2034	1,335,290
2035	2,135,803
2036	2,056,905
2037	12,623,691
2038	8,864,919
2039	21,670,447
2040	19,586,373
	72,903,955

6. Receivables

	2020 $	2019 $
Trade accounts receivable	**14,384,065**	9,400,982
Government remittance receivable	**1,189,809**	1,846,026
Accounts receivable	**15,573,874**	11,247,008
Long-term accounts receivable	**8,084,965**	6,610,400
Total receivables	**23,658,839**	17,857,408

When measuring expected credit losses for the loss allowance, the Corporation uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

Long-term receivables includes a balance of $8,084,965 which was paid to the Government of Newfoundland in relation to the closure and reclamation liability (see Note 16).

(Expressed in Canadian dollars)

6. Receivables (continued)

The aging analysis of receivables is as follows:

	Total $	Neither past due nor impaired $	< 30 days $	30-60 days $	> 60 days $
December 31, 2019	17,857,408	17,857,408	7,084,117	619,977	10,153,314
December 31, 2020	**23,658,839**	**23,658,839**	**15,573,874**	**—**	**8,084,965**

7. Inventory

Inventories consist of the following:

	2020 **$**	2019 $
Finished goods	**5,522,131**	—
Material supplies	**5,910,219**	4,341,382
	11,432,350	4,341,382

Prior to commercialization of the mine; the Corporation's stockpiled ore was included within assets under construction ("AUC"). Once commercialization was met, finished goods inventory was reclassified out of AUC and accounted for separately.

8. Exploration and evaluation expenditures

	Exploration and evaluation expenditures $
Cost	
At December 31, 2018	9,262,902
Additions (net of government grants)	622,103
Disposals	—
At December 31, 2019	**9,885,005**
Additions (net of government grants)	**466,481**
Reclassification for commercialization	**(9,885,005)**
At December 31, 2020	**466,481**

During the year, the Corporation reclassified exploration and evaluation expenditures related to development of the mine site into mineral properties, as the mine reached commercialization during 2020.

(Expressed in Canadian dollars)

9. Mineral properties

	Mineral properties $
Cost	
At December 31, 2018	48,347,291
Additions	—
At December 31, 2019	**48,347,291**
Additions	**3,547,452**
Non-cash additions	**510,000**
Reclassification for commercialization	**71,194,843**
Depletion	**(5,627,089)**
At December 31, 2020	**117,972,497**

As the Corporation has reached commercial production in the current year, costs previously included in exploration and evaluation and AUC have been reclassified into mineral properties.

10. Construction in process

	Construction in Process $
Cost	
At December 31, 2018	187,720,118
Additions	74,328,378
At December 31, 2019	**262,048,496**
Additions	**10,890,427**
Reclassification for commercialization	**(252,349,820)**
At December 31, 2020	**20,589,103**

As the Corporation has reached commercialization during the current year, costs associated with construction of the mine were reclassified out of AUC and into mineral properties and property, plant and equipment. The remaining costs relate to ongoing projects in progress as of year end.

(Expressed in Canadian dollars)

11. Property, plant and equipment

	Buildings $	Site Infrastructure $	Primary crusher $	Mill & equipment $	Office and related equipment $	Computer equipment $	Vehicles $	Mining equipment $	Other assets $	Total $
At December 31, 2018	3,039,074	—	—	—	2,705,691	204,846	1,583,715	14,600,653	115,025	22,249,004
Additions	10,310	—	—	—	387,692	82,037	704,143	9,659,490	63,661	10,907,333
Disposals	(2,357,930)	—	—	—	—	(2,910)	(240,370)	(378,500)	—	(2,979,710)
At December 31, 2019	691,454	—	—	—	3,093,383	283,973	2,047,488	23,881,643	178,686	30,176,627
Additions	4,400	—	719,541	4,053,692	155,098	—	39,378	2,337,368	2,175	7,311,652
Reclassification for commercialization	10,982,235	19,964,334	19,268,309	148,505,944	227,346	—	—	—	—	198,948,168
Disposals	—	—	—	—	—	—	—	—	—	—
At December 31, 2020	11,678,089	19,964,334	19,987,850	152,559,636	3,475,827	283,973	2,086,866	26,219,011	180,861	236,436,447
Depreciation and Impirment										
At December 31, 2018	(184,957)	—	—	—	(977,243)	(159,212)	(355,859)	(2,888,342)	(81,099)	(4,646,712)
Additions	(59,236)	—	—	—	(301,464)	(35,599)	(277,268)	(2,086,769)	(20,133)	(2,780,469)
Disposals	132,229	—	—	—	—	—	67,917	340,650	—	560,796
At December 31, 2019	(111,964)	—	—	—	(1,278,707)	(194,811)	(545,210)	(4,634,461)	(101,232)	(6,866,385)
Additions	(442,495)	(910,253)	(387,805)	(2,783,860)	(242,997)	(23,393)	(329,484)	(3,060,426)	(18,677)	(8,199,390)
Disposals	—	—	—	—	—	—	—	—	—	—
At December 31, 2020	(554,459)	(910,253)	(387,805)	(2,783,860)	(1,521,704)	(218,204)	(874,694)	(7,694,887)	(119,909)	(15,065,775)
Netbook value										
At December 31, 2019	579,490	—	—	—	1,814,676	89,162	1,502,278	19,247,182	77,454	23,310,242
At December 31, 2020	11,123,630	19,054,081	19,600,045	149,775,776	1,954,123	65,769	1,212,172	18,524,124	60,952	221,370,672

Depreciation charged on equipment of $1,836,224 for the year ended December 31, 2020 (2019 - $2,219,673), has been capitalized to mineral properties. The book value of the right of use assets classified and included in property, plant and equipment is $15,693,965.

(Expressed in Canadian dollars)

12. Investment in Acoustic Zoom Inc.

During 2016, the Corporation acquired a 20% ownership of Acoustic Zoom Inc. ("AZ") through CFI AZ Holdings Inc., a wholly owned subsidiary of the Corporation. AZ is an imaging technology services company. The Corporation held 0% ownership in AZ as at December 31, 2020 (2019 – 0%). This investment was accounted for using the equity method in the Corporation's consolidated financial statements.

In 2019, management determined that AZ is not expected to provide returns on the investment made and as such the entire investment was written down to $nil. The investment continued to be carried at $nil in 2020.

The Corporation has recorded a loss of $nil (2019 – loss of $450,459) on the equity investment related to the Corporation's write-off of the investment and prior year's share of profit and loss.

13. Long-term debt and credit facilities

	2020 **$**	2019 $
Bridging Finance loan #1, BMO prime plus a margin based on last 3-month average production volumes, repayable upon maturity on March 31, 2021	**32,169,764**	32,169,764
Bridging Finance loan #2, BMO prime plus a margin based on last 3-month average production volumes, repayable upon maturity on March 31, 2021	**22,130,955**	22,130,955
Bridging Finance loan #3, BMO prime plus a margin based on last 3-month average production volumes, repayable upon maturity on March 31, 2021	**8,206,773**	8,206,773
Loan from Provincial Government of Newfoundland and Labrador, bearing interest of 3% to maturity on December 31, 2021	**17,000,000**	17,000,000
ACOA loan, interest free, repayable in monthly instalments of $50,000 to maturity on October 1, 2026	**3,026,800**	3,334,173
ACOA loan, interest free, repayable in increments of 2.14% of gross sales with no maturity date	**276,517**	354,653
Total	**82,810,809**	83,196,318
Less: current portion	**79,903,542**	62,952,144
	2,907,267	20,244,174

Security on Bridging Finance and Provincial Government loans includes a collateral debenture on all Mineral Titles and Surface Rights of the Corporation. As noted in Note 25, $62,507,492 of the current portion has had its maturity date extended until December 31, 2021, with an option to extend further until March 31, 2022, under certain conditions.

(Expressed in Canadian dollars)

13. Long-term debt and credit facilities (continued)

Principal repayments in each of the next five years are as follows:

	Principal $
2021	79,903,542
2022	600,000
2023	600,000
2024	600,000
2025	600,000
Therafter	507,267
	82,810,809

Atlantic Canada Opportunities Agency Loan

On March 10, 2017, the Corporation signed a loan agreement with the Atlantic Canada Opportunities Agency ("ACOA"), for a loan of up to $5 million at a stated interest rate of 0%. Fair value has been determined using an imputed interest rate of 6.375%. The following table summarizes the amounts received and related deemed government grant:

	Cash received $	Deemed government grant $	Recorded balance $
Loan balance as at December 31, 2018	5,000,000	1,342,733	3,710,145
Accretion charges	—	—	224,028
Principal payment	—	—	(600,000)
Loan balance as at December 31, 2019	—	—	3,334,173
Accretion charges	—	—	188,037
Gain on fair value of debt	—	—	(345,410)
Principal payment	—	—	(150,000)
Loan balance as at December 31, 2020	—	—	3,026,800

During the year, ACOA provided relief by deferring payments on loans in response to the COVID-19 pandemic. This has resulted in a gain on the fair value of debt of $345,410.

Receivables Finance Credit Facility

The Corporation has a receivables finance credit facility with credit availability up to $20,000,000 USD provided there is sufficient collateral security of eligible receivables, bearing interest at a rate of LIBOR + 2.70%. As of year-end, $10,428,788 CAD of this facility was utilized (2019 - $1,950,618 CAD). The Corporation also holds a variable rate operating loan facility of up to $2,000,000 USD provided there is sufficient collateral security of eligible inventory. As of year-end, the facility was undrawn ($nil for 2019).

(Expressed in Canadian dollars)

14. Lease liability

	2020 $	2019 $
Komatsu mine fleet finance lease, bearing interest at 0.99%, repayable in monthly instalments of $52,602. Repaid during the year.	**—**	679,894
Komatsu mine fleet finance lease, interest free, repayable in monthly instalments of $31,850. Repaid during the year.	**—**	210,528
Komatsu mine fleet finance lease, bearing interest at 3.9%, repayable in monthly instalments of $6,787. Repaid during the year.	**—**	86,260
Komatsu mine fleet finance lease, bearing interest at 0.99%, repayable in monthly instalments of $61,904 to maturity on February 7, 2021	**185,153**	861,320
Komatsu mine fleet finance lease, bearing interest at 0.99%, repayable, in monthly instalments of $92,389 to maturity on March 24, 2021	**276,711**	1,376,733
CAT Financial finance lease, bearing interest at 8.75%, repayable in monthly instalments of $51,654 to maturity on July 28, 2021	**351,837**	917,077
Atlas Copco Canada Inc finance lease, bearing interest at 1.75%, repayable in monthly instalments of $20,308 to maturity on January 18, 2022	**293,648**	517,730
Atlas Copco Canada Inc finance lease, bearing interest at 1.75%, repayable in monthly instalments of $16,742 to maturity on January 18, 2022	**233,245**	426,838
Komatsu mine fleet finance lease, bearing interest at 4.50%, repayable in monthly instalments of $64,095 to maturity on February 28, 2022	**2,536,380**	3,180,094
Komatsu mine fleet finance lease, bearing interest at 4.5% repayable in monthly instalments of $24,336 to maturity on February 28, 2022	**984,964**	1,227,173
Komatsu mine fleet finance lease, interest free, repayable in monthly instalments of $8,137 to maturity on October 19, 2022	**179,014**	276,657
CAT Financial finance lease, bearing interest at 6.70%, repayable in monthly instalments of $31,060 to maturity on March 17, 2023	**755,244**	—
CAT Financial finance lease, bearing interest at 6.70%, repayable in monthly instalments of $4,573 to maturity on May 10, 2023	**122,128**	—
Komatsu mine fleet finance lease, interest free, repayable in monthly instalments of $4,759 to maturity on March 1, 2024	**185,595**	—
Meridian finance lease, interest free, repayable in monthly instalments of $1,427 to maturity on June 15, 2024	**61,365**	—
Meridian finance lease, bearing interest at 3.35%, repayable in monthly instalments of $1,946 to maturity on June 15, 2025	**148,511**	—
BMO finance lease, bearing interest at 4.50%, repayable in monthly instalments of $3,433 to maturity on April 27, 2026	**193,232**	—
Other leases	**67,739**	164,418
Total	**6,574,766**	9,924,722
Less: current portion	**2,858,629**	4,811,484
	3,716,137	5,113,238

(Expressed in Canadian dollars)

14. Lease liability (continued)

Lease liability repayments in each of the next 5 years are as follows:

	Principal $
2021	2,858,629
2022	1,676,585
2023	1,236,160
2024	715,342
2025	49,486
Thereafter	38,564
	6,574,766

15. Deferred revenue

In 2016, as part of the arrangement whereby Arkema Canada Inc. exited from the Newspar Partnership, the Corporation entered into a supply agreement with Arkema France S.A. ("Arkema") whereby Arkema will have the right to acquire approximately 20% of the Corporation's annual nameplate production volume, for a period of 10 years, at a fixed base purchase price (subject to certain price adjustments based on then market prices and the date in which commercial production commences). The consideration paid in 2016 to the Corporation for this agreement ($29,892,512) has been treated as deferred revenue and will be recognized as revenue in future years based on the underlying terms of the agreement.

In accordance with IFRS 15, the Corporation calculated, as at December 31, 2020, interest amounting to $6,499,975 (2019 - $2,833,476) using an effective interest rate of 12.5%, which represents the financing component of the amount previously received from Arkema. The financing component is an increase to the contract liabilities in the consolidated statement of financial position. Pre-commercialization, the Corporation capitalized half of this amount in construction in progress which was reclassed upon commercialization to mineral properties and property, plant and equipment. The financing component is capitalized because it is directly attributable to the AGS project.

There was no delivery of product to Arkema during 2020 (see Note 25).

(Expressed in Canadian dollars)

16. Provision for closure and reclamation

The Corporation recognizes a provision related to its constructive and legal obligations in St. Lawrence to restore its properties. The cost of this obligation is determined based on the expected future level of activity and costs related to decommissioning the mine and restoring the property. The provision is calculated at the net present value of the estimated future undiscounted cash flows of $8,257,894 (2019 - $7,188,200) using a discount rate of 3.3%.

	2020 $	2019 $
Provision for closure and reclamation	**8,084,965**	6,610,400

This balance is paid to the Government of Newfoundland and Labrador as part of the Mine Rehabilitation and Closure Plan submitted to the Minister of Natural Resources to ensure the funds are set aside appropriately in compliance with section 10.(3) of the *Mining Act of Newfoundland and Labrador*. As the liability rests with the Corporation, a corresponding long-term receivable is recorded for amounts paid until remediated (see Note 6).

17. Fair values

Fair value hierarchy

The Corporation uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The following methods and assumptions were used to estimate the fair values:

- Cash, receivables, and accounts payable and accrued liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.
- Long-term debt is measured using the current fair market borrowing rate for a similar asset and liability, a level 2 valuation technique.

There have been no changes in these levels and no changes in classifications during the year ended December 31, 2020. Management has determined that carrying value approximates fair value for financial assets and liabilities of the Corporation.

(Expressed in Canadian dollars)

18. Share capital and reserves

Share capital

Authorized, unlimited number

Common shares

Issued and outstanding

	Number of shares #	Share capital $
Common shares		
As at December 31, 2018	139,662,683	136,029,192
Equity investment by parent	86,443,581	86,443,581
Equity investment by director	75,000	75,000
As at December 31, 2019	**226,181,264**	**222,547,773**
Equity investment by parent	**49,528,898**	**49,528,898**
As at December 31, 2020	**275,710,162**	**272,076,671**

Stock options

On May 29, 2015, the Corporation implemented a stock option plan, coincident with a private placement of 1.1 million common shares and granted 1,726,830 options to directors as well as certain executives of the Corporation to purchase common shares at an exercise price of $1.00.

In 2016, the Corporation granted 48,643 additional options to a new director at an exercise price of $1.00. In 2018, 1,459,293 options were forfeited with the departure of certain executives.

During 2017, 2018, 2019, and 2020, there were no additional stock options issued.

The stock options vest in five tranches at a rate of 16% annually of the total number of options granted. Consequently, 252,954 options vested from 2015 to 2019. The remaining 20% of options granted only vest upon the occurrence of an approved sale. The stock options have a total Black-Scholes option pricing value of $184,599 ($184,599 in 2019). Only options vested in the year have been realized resulting in an expense recorded in the consolidated statement of comprehensive loss.

		2020
Average share price at date of grant	$	1.00
Expected dividend yield		0.00%
Expected share price volatility		71.15%
Risk-free interest rate		0.96%
Forfeiture rate		0.00%
Expected life of options		5 years
Average exercise price at date of grant	$	1.00
Stock options outstanding		316,180
Black-Scholes fair value	$	0.58

19. Related party disclosures

The consolidated financial statements include the financial statements of the Corporation and subsidiaries listed in the following table:

		% Equity interest	
	Country of operation	**2020** **%**	2019 %
Name			
Canada Fluorspar (NL) Inc.	Canada	**100**	100
Newspar Partnership	Canada	**100**	100

20. Financial risk management objectives and policies

The Corporation's primary risk management objective is to protect the Corporation's financial position and cash flows to support development of the St. Lawrence project and for exploration for and evaluation of additional mineral resources.

The Corporation's cash is invested in business accounts with quality financial institutions and is available on demand. Significant risks managed by the Corporation include interest rate, foreign currency, credit, liquidity and price risk.

The Corporation's principal financial liabilities comprise of long-term debt, credit facilities, and accounts payable and accrued liabilities. These financial liabilities provide financing for the Corporation's operations. The Corporation's cash is derived directly from its operating and financing activities.

The Corporation's senior management oversees the management of these risks and reports the risk to the Board of Directors.

The Board of Directors reviews and approves policies for managing each of these risks which are summarized below:

Interest rate risk

The Corporation invests surplus cash in bank deposits which, due to their short-term nature, do not expose the Corporation to significant interest rate risks.

The Corporation is exposed to interest rate risk on its variable interest rate financial instruments. The Bridging Finance loans have variable interest rates which subject it to periodic re-estimation of cash flows to reflect movements in market interest rates that alter the effective interest rate and create a risk of changes in cash flow.

A fluctuation of 100 basis points in prevailing prime interest rates related to the loans would result in a fluctuation in interest costs of approximately $625,000 for the year.

Foreign currency risk

Foreign currency risk is the risk to the Corporation's earnings that arise from fluctuations of foreign currency exchange rates and the degree of volatility of these rates. The Corporation is exposed to currency risk associated with its currency exchange risk on cash denominated in USD and current and future sales that are expected to be in USD while the majority of its operating costs are incurred in the functional currency.

20. Financial risk management objectives and policies (continued)

Credit risk

The business activities of the Corporation exposes it to counterparty credit risk that would result if the counterparty failed to meet its obligations in accordance with the terms and conditions of its contracts with the Corporation. In order to minimize credit risk, the Corporation has adopted a policy of only dealing with creditworthy counterparties. Credit approvals and other monitoring procedures are also in place to ensure that follow-up action is taken to recover overdue debts. Furthermore, the Corporation reviews the recoverable amount of each trade debt on an individual basis at the end of the reporting period to ensure that adequate loss allowance is made for irrecoverable amounts. In this regard, the directors of the Corporation consider that the Group's credit risk is significantly reduced.

There is little perceived credit risk in respect of trade and other receivables. The Corporation's maximum exposure to credit risk at December 31, 2020, was represented by receivables. The Corporation holds no collateral over any of these balances.

Liquidity risk

Liquidity risk is the risk that the Corporation will be unable to meet its contractual obligations. The Corporation manages liquidity risk by continuously reviewing both actual and forecasted cash flows to ensure that it has sufficient cash available to meet its contractual obligations.

As at December 31, 2020, the Corporation had a working capital deficiency of $81,855,613 compared to working capital deficiency of $73,101,548 as at December 31, 2019.

Price risk

The Corporation is exposed to changes in the market price for its commodity. The Corporation manages this risk by entering into contractual supply agreements with potential customers for a portion of its planned production.

Capital management

The Corporation's objective when managing capital is to safeguard its accumulated capital in order to maintain its ability to continue as a going concern to reach development of its mineral rights and to provide returns to shareholders and benefits to other stakeholders. The capital structure of the Corporation consists of long-term debt and equity.

The Corporation is in compliance with all externally imposed capital requirements. As at December 31, 2020, the Corporation's overall strategy with respect to capital risk management remains unchanged as compared to December 31, 2019.

The Corporation will continually assess the adequacy of its capital structure and make adjustments within the context of the Corporation's strategy, economic conditions, and the risk characteristics of the business.

21. Commitments and contingencies

Commitments

The Corporation's signed commitments for 2020, and beyond include finance leases on equipment and long-term debt as described in Note 13 and 14.

Guarantees

The Corporation indemnifies its directors and officers against claims reasonably incurred and resulting from the performance of their services to the Corporation, and maintains liability insurance for its directors and officers.

Contingent liabilities

Claims and legal proceedings may be instituted against the Corporation in the normal course of business. Legal proceedings are often subject to numerous uncertainties and it is not possible to predict the outcome of individual cases. In management's opinion, the Corporation has made adequate provision for or has adequate insurance to cover all claims and legal proceedings.

22. Goodwill

The Corporation performs impairment testing for its goodwill on an annual basis, as at December 31, 2020, and more frequently if there are indicators of impairment.

At December 31, 2020, the Corporation performed an impairment test for its goodwill which arose from the Newspar acquisition in 2016. For the impairment test, value in use ("VIU") was used to determine the recoverable amount since it was higher than the fair value less costs of disposal ("FVLCD"). VIU was calculated using discounted after-tax cash flows based on cash flow projections and assumptions supporting the Corporation's interest in its subsidiaries.

Expected future cash flows used to determine the VIU in the impairment testing are inherently uncertain and could materially change over time. Should management's estimate of the future not reflect actual events, future impairments may be identified. This may have a material effect on the Corporation's consolidated financial statements. Although it is reasonably possible for a change in key assumptions to occur, the possible effects of a change in any single assumption may not fairly reflect the impact on a CGU's fair value as the assumptions are inextricably linked.

23. Reclassifications and comparative figures

Certain reclassifications have been made to the prior year's financial statements to enhance comparability with the current year's financial statements.

24. Canada Emergency Wage Subsidy

As a result of the COVID-19 pandemic, the Government of Canada implemented various financial assistance packages. During the year, the Corporation received a $5,473,884 (2019 – $nil) non-repayable wage subsidy, which has been recorded on a gross basis on the consolidated statement of comprehensive loss.

25. Subsequent events

(a) Equity injections by shareholder

The majority shareholder provided additional equity financing subsequent to the financial statement date totaling USD $17,320,037.

(b) Bridging Finance receivership and Bridging Finance loan amendment

On April 30, 2021, upon application of the Ontario Securities Commission, PricewaterhouseCoopers LLP ("PwC") was appointed as receiver and manager of all assets, undertakings and properties of Bridging Finance Inc.

On August 18, 2021, the Corporation signed amendment No. 3 to the second amended and restated loan agreement with Bridging Finance Inc. to capitalize 80% of interest beginning April 1, 2021, and to extend the maturity date of the credit facilities totaling $62,507,492 (Note 13) from March 31, 2021 to December 31, 2021, with an option to extend the maturity date, under certain conditions, to March 31, 2022. Those conditions have been met as of the time of issuance.

(c) Provincial Government of Newfoundland loan amendment

On November 29, 2021, the Corporation and the Provincial Government of Newfoundland signed an amendment to extend the maturity date of the credit facilities totaling $17,000,000 (Note 13) from December 31, 2021 to December 31, 2022, with interest in arrears and interest related to 2021, payable on April 30, 2022.

(d) Statement of Claim filed by Arkema

On June 1, 2021, Arkema filed a Statement of Claim with the Ontario Superior Court of Justice against the Corporation for damages for breach of contract in the amount of $29,892,512 (plus interest and costs). In 2016, Arkema and the Corporation entered into the Arkema Supply Agreement, pursuant to which Arkema paid $29,892,512 to the Corporation in exchange for the Corporation granting Arkema the ability to acquire fluorspar for a ten year period at a contractually mandated specification and pre-arranged prices. Arkema has purported to terminate the Arkema Supply Agreement and has demanded repayment of the funds it has advanced as a termination payment under the Arkema Supply Agreement. The Corporation denies a breach of contract, states that the Corporation has been ready, willing and able to comply with its obligations under the Arkema Supply Agreement, and notes that to date the Corporation has not received a purchase order nor a delivery schedule for fluorspar from Arkema. A Statement of Defence was filed by the Corporation on August 20, 2021. It is not possible to predict the outcome of this case.

Appendix D

INTERNAL DRAFT

CFI Consolidated (CAD) Income Statement Summary	Year to Date December 31, 2021
Revenue	
Acidspar Sales	64,726,396
(-) Freight and Related Costs	7,591,214
Net Revenue	**57,135,182**
Mine (including maintenance)	29,461,024
Mill (including maintenance)	19,980,543
Logistics/SS/HSS/Env/Finance/G&A	16,050,120
Concentrate Inventory Adjustment	4,182,156
(-) Total Net Expenses	**69,673,844**
EBITDA	**(12,538,662)**
(-) Depletion,Depreciation & Amortization	27,480,374
(-) FX Loss/(Gain)	(3,652,893)
(-) Net Other Expenses/(Income)	(2,432,149)
EBIT	**(33,933,994)**
(-) Interest Expense	10,310,840
EBT	**(44,244,834)**
(-) Income Taxes	-
Net Income (Loss)	**(44,244,834)**

INTERNAL DRAFT

CFI Consolidated (CAD) Balance Sheet	As of Month Ended December 31, 2021
Cash and Equivalent	639,296
Accounts Receivable Sales	22,616,878
Other Receivables	1,430,790
Inventory	8,937,484
Prepaids	554,879
Current Assets	34,179,327
Long Term Receivable	8,084,965
Exploration and Evaluation Assets	2,651,428
Assets under Construction	28,561,677
Mineral Properties	104,231,236
Net Fixed Assets	213,487,398
Net Intangible Assets	42,490
GoodWill	13,882,249
Non Current Assets	370,941,443
Total Assets	405,120,770
Loans & Borrowings	20,345,909
Accounts Payable & Accrued liabilities	14,920,986
Total Current Liabilities	35,266,896
Long term debt	98,481,289
Provision for closure and reclamation	8,084,965
Deferred Taxes	(547,604)
Deferred Revenue	50,260,419
Total Non Current Liabilities	156,279,070
Total Liabilities	191,545,965
Share Capital	293,783,760
Reserves .	272,080
Contributed Surplus	1,751,521
Consolidation Account	(432,408)
Retained earnings	(37,555,314)
Profit (Loss) for Period	(44,244,834)
Total Shareholders' Equity	213,574,805
Total Liabilities and Shareholders' Equity	405,120,770

INTERNAL DRAFT

Canada Fluorspar (NL) Inc. Income Statement Summary	Year-to-Date December 31, 2021
REVENUE	
Acidspar Sales	64,723,942
Aggregate Sales	2,454
Other Income	3,022,809
Total Revenue	67,749,205
Freight on Sales	7,591,214
Net Revenue	60,157,991
EXPENSES	
Geology	
Labour & Associated Costs	258,419
External Consultants & Contractors	(34,316)
Materials & Consumables	1,844
Other Support Costs	197,653
Total Geology	423,600
Mining	
Labour & Associated Costs	7,953,297
External Consultants & Contractors	2,286,349
Materials & Consumables	13,075,546
Other Support Costs	233,502
Total Mining	23,544,694
Mobile Maintenance	
Labour & Associated Costs	1,346,881
External Consultants & Contractors	690,784
Materials & Consumables	3,326,998
Other Support Costs	128,068
Total Maintenance	5,492,730
Milling	
Labour & Associated Costs	8,318,880
External Consultants & Contractors	726,877
Materials & Consumables	10,377,639
Other Support Costs	557,147
Total Milling	19,980,543
Logistics & Site Services	
Labour & Associated Costs	622,254
External Consultants & Contractors	4,403,137
Materials & Consumables	66,524
Other Support Costs	2,427,835
Total Logistics & Site Services	7,519,750
General & Administration	
Labour & Associated Costs	3,394,343
External Consultants & Professional Fees	1,826,695
Materials & Consumables	582,522
Other Support Costs	2,726,810
Total General & Administrative	8,530,370
Concentrate Inventory Adjustment	4,182,156
Total Expenses	69,673,844
EBITDA	(9,515,853)
Interest Expense	10,330,840
Income Taxes	-
FX Gain/Loss	(3,658,571)
Depreciation & Amortization	27,480,374
Other Gains (Losses)	567,929
Total Other Expenses	34,720,572
Net Income Gain / (Loss)	(44,236,424)

INTERNAL DRAFT

Canada Fluorspar (NL) Inc.	December 31, 2021
Cash and Equivalent	(1,430,661)
Accounts Receivable Sales	22,616,878
Other Receivables	1,430,790
Inventory	8,937,484
Prepaids	554,879
Current Assets	32,109,370
Long Term Receivable	8,084,965
ARO Asset	-
Exploration and Evaluation Assets	2,651,428
Assets under Construction	28,561,677
Mineral Properties	104,231,236
Net Fixed Assets	213,487,398
Net Intangible Assets	42,490
Funding Projects	-
Long Term Investments	60,000,000
GoodWill	-
Non Current Assets	417,059,194
Total Assets	449,168,564
Loans & Borrowings	20,345,909
Accounts Payable & Accrued liabilities	14,920,986
Income Taxes	-
Flow Through Share Liabilities	-
Total Current Liabilities	35,266,896
Long term debt	98,481,289
Provision for closure and reclamation	8,084,965
Deferred Taxes	-
Deferred Revenue	50,260,419
Total Non Current Liabilities	156,826,674
Total Liabilities	192,093,569
Share Capital	1
Reserves	-
Contributed Surplus	-
Consolidation Account	345,752,824
Retained earnings	(44,441,406)
Profit (Loss) for Period	(44,236,424)
Total Shareholders' Equity	257,074,995
Total Liabilities and Shareholders' Equity	449,168,564

INTERNAL DRAFT

Canada Fluraspar Inc.

Income Statement Summary	Year to date December 31, 2021
Interest Income	-
Other Revenue (Not from Sale of Goods)	-
Cost of Sales	-
Revenue	-
Salaries and Wages	-
Other Employee Costs	-
Travel and Entertainment	-
Office Costs	-
Legal Fees	-
Audit and Accounting fees	-
Other Professional fees	-
Marketing	-
Public Company fees	-
Safety Costs	-
Other Expenses	2,731
Fx gains and losses	5,678
Depreciation and Amortization	-
Interest Expense	-
Share based payments	-
Income Taxes	-
Total Expenses	8,410
Other Gains (Losses)	-
Total Other Gains (Losses)	-
Net Income (Loss)	(8,410)

INTERNAL DRAFT

Canada Fluorspar Inc.

	December 31, 2021
Cash and Equivalent	2,069,957
Interest Receivable	-
Other Receivables	-
Inventory	-
Prepaids	-
Current Assets	2,069,957
Long Term Receivable	-
Exploration and Evaluation Assets	-
Net Fixed Assets	-
Net Intangible Assets	-
Assets under Construction	-
Shoal Cove	-
Prefeasibility (Incl. wharf)	-
Feasibility	-
Construction - AGS Open Pit Project	-
Funding Projects	-
Long Term Investments	-
GoodWill	13,882,249
Non Current Assets	13,882,249
Total Assets	15,952,206
Accounts Payable & Accrued liabilities	-
Income Taxes	-
Flow Through Share Liabilities	-
Total Current Liabilities	-
Long term debt	-
Provision for closure and reclamation	-
Deferred Taxes	(547,604)
Deferred Revenue	-
Total Non Current Liabilities	(547,604)
Total Liabilities	(547,604)
Share Capital	293,783,759
Reserves	272,080
Contributed Surplus	1,751,521
Consolidation Account	(286,185,233)
Retained earnings	6,886,092
Profit (Loss) for Period	(8,410)
Total Shareholders' Equity	16,499,810
Total Liabilities and Shareholders' Equity	15,952,206

Appendix E

Canada Fluorspar Inc. (CFI)
Cash Flow Projection (Interim Receivership & CCAA - Care and Maintenance - Sale and Investor Solicitation Process)
For the Period of February 21, 2022 to July 10, 2022
(in 000s CAD)

	Notes	Interim Receiver		CCAA SISP - Phase 1							CCAA SISP - Phase 2											Total
Week No.		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	
Week Start		21-Feb-22	28-Feb-22	07-Mar-22	14-Mar-22	21-Mar-22	28-Mar-22	04-Apr-22	11-Apr-22	18-Apr-22	25-Apr-22	02-May-22	09-May-22	16-May-22	23-May-22	30-May-22	06-Jun-22	13-Jun-22	20-Jun-22	27-Jun-22	04-Jul-22	
Week Ending		27-Feb-22	06-Mar-22	13-Mar-22	20-Mar-22	27-Mar-22	03-Apr-22	10-Apr-22	17-Apr-22	24-Apr-22	01-May-22	08-May-22	15-May-22	22-May-22	29-May-22	05-Jun-22	12-Jun-22	19-Jun-22	26-Jun-22	03-Jul-22	10-Jul-22	
Cash Inflows																						
Collection of Receivables	B	-	-								-	-	-	-	-	-	-					-
Other		-	-								-	-	-	-	-	-	-					-
Total Cash Inflows		-	-								-	-	-	-	-	-	-					-
Cash Outflows																						
Payroll	C	776		215		215		215		215		215		215		215		215		215		2,708
Maintenance Costs		4	14	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	90
Fuel		11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	220
Freight		2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	40
Utilities		58	58	58	58	58	58	58	58	58	58	58	58	58	58	58	58	58	58	58	58	1,160
Insurance		6	79	-	-	6	79	-	-	6	79	-	-	-	6	79	-	-	6	79	-	425
Materials/Supplies		2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	40
Professional Fees - Restructuring	D	150	150	75	75	75	75	50	50	50	50	50	50	50	50	50	50	50	50	50	50	1,300
Other/Miscellaneous		1	12	1	1	1	5	1	1	1	5	1	1	1	1	5	1	1	1	5	1	47
Telephone/Communications		3	4	3	3	3	4	3	3	3	4	3	3	3	3	4	3	3	3	4	3	65
Environmental		4	15	4	4	4	59	4	4	4	4	4	4	4	4	28	4	4	4	4	4	171
Logistics/Warehousing		2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	40
Contingency																						
Total Cash Outflows		1,019	350	377	162	383	301	352	137	358	221	352	137	352	143	460	137	352	143	436	137	6,306
Net Cash Flow		(1,019)	(350)	(377)	(162)	(383)	(301)	(352)	(137)	(358)	(221)	(352)	(137)	(352)	(143)	(460)	(137)	(352)	(143)	(436)	(137)	(6,306)
Cash Balance																						
Opening Cash Balance			790	440	1,863	1,701	1,318	1,018	666	529	3,071	2,850	2,499	2,362	2,010	1,867	1,407	1,270	919	776	340	-
DIP Financing - Bridging Finance (Receiver)		1,809								1,450												3,259
DIP Financing - Prov. of Newfoundland				1,800						1,450												3,250
Net Cash Flow		(1,019)	(350)	(377)	(162)	(383)	(301)	(352)	(137)	(358)	(221)	(352)	(137)	(352)	(143)	(460)	(137)	(352)	(143)	(436)	(137)	(6,306)
Closing Cash Balance		790	440	1,863	1,701	1,318	1,018	666	529	3,071	2,850	2,499	2,362	2,010	1,867	1,407	1,270	919	776	340	203	203

Notes:

A - The projection is prepared on the basis that operations will cease and the Company will file for restructuring proceedings under the CCAA to obtain a stay of proceedings against its creditors, debtor-in-possession financing and commence a Sales and Investor Solicitation Process (SISP) for the mine.

B - CFI has a factoring arrangement with its operating lender, HSBC. The cash flow assumes any receivables collected would be offset against HSBC's debt.

C - Payroll consists of the approximately 51 personnel required to preserve and maintain the assets while a SISP process can be completed, including costs to Ceridian.

D - Restructuring fees include the Grant Thornton Limited (Monitor), its legal counsel (McInnes Cooper), the Company's legal counsel (Cox & Palmer) to complete the CCAA restructuring process including SISP to locate a buyer for the operations.