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C A N A D A
PROVINCE OF QUEBEC
DISTRICT OF QUEBEC
COURT. No.: 500-11-060598-212

S U P E R I O R C O U R T
Commercial Division

**IN THE MATTER OF A PLAN OF
ARRANGEMENT OR COMPROMISE OF:**

BLACKROCK METALS INC., a duly incorporated company having its principal place of business at 1606-1080 Côte du Beaver Hall, in the city and district of Montreal, province of Quebec, H2Z 1S8.

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BLACKROCK MINING INC., a duly incorporated company having its principal place of business at 1606-1080 Côte du Beaver Hall, in the city and district of Montreal, province of Quebec, H2Z 1S8.

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BRM METALS GP INC., a duly incorporated company having its principal place of business at 1606-1080 Côte du Beaver Hall, in the city and district of Montreal, province of Quebec, H2Z 1S8.

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BLACKROCK METALS LP, a limited partnership formed under the laws of Quebec, having its principal place of business at 1606-1080 Côte du Beaver Hall, in the city and district of Montreal, province of Quebec, H2Z 1S8.

Debtors

-&-

INVESTISSEMENT QUÉBEC, a corporation duly constituted under the *Act respecting Investissement Québec and La Financière du Québec* (CQLR c I-16.0.1), having its head office at 600, de la Gauchetière West, Suite 1500, in the city and district of Montreal, province of Quebec, H3B 4L8.

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OMF FUND II H LTD., a duly incorporated company having its principal place of business at 7 Bryant Park, 1045 ave of the Americas, New York, New York, 10018.

Mises-en-cause

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DELOITTE RESTRUCTURING INC., a duly incorporated company having a place of business at 500-1190 ave des Canadiens-de-Montréal, in the city and district of Montreal, province of Quebec, H3B 0M7.

Monitor

**THIRD REPORT TO THE COURT
SUBMITTED BY DELOITTE RESTRUCTURING INC.
IN ITS CAPACITY AS MONITOR**

(Companies' Creditors Arrangement Act, R.S.C. 1985, c. C-36, as amended ("CCAA"))

INTRODUCTION

1. On December 23, 2021, BlackRock Metals Inc. ("**BlackRock Metals**"), BlackRock Mining Inc. ("**BlackRock Mining**"), BlackRock Metals LP ("**BRM LP**") and BRM Metals GP Inc. ("**BRM GP**") (collectively "**BRM**" or the "**Debtors**") filed for and obtained protection from their creditors under the CCAA pursuant to an Order rendered by this Honourable Court (the "**First Day Initial Order**"). The First Day Initial Order provides for, *inter alia*, (i) a stay of proceedings against the Debtors until January 2, 2022 (the "**Stay Period**") (ii) the appointment of Deloitte Restructuring Inc. as the monitor under the CCAA ("**Deloitte**" or the "**Monitor**"), and the (iii) granting of an Administration Charge. The proceedings commenced under the CCAA by the Debtors will be referred to herein as the "**CCAA Proceedings**".
2. On December 22, 2021, the Monitor issued its First Report (the "**First Report**"). The purpose of the First Report was to provide background information on Deloitte's qualification to act as Monitor, the business, affairs and financial results of BRM, BRM's main creditors, the sale and investment solicitation process (the "**SISP**"), the administration charge sought in the First Day Initial Order and to cover specifically the Cash Flow Statement, in accordance with paragraph 23(1)(b) of the CCAA.
3. On January 2, 2022, there was a deemed extension of the Stay Period up to and including January 7, 2022. As indicated in the First Day Initial Order, any Person wishing to object to such deemed extension was required to serve a detailed written contestation stating the objection to such deemed extension and the grounds for such objection on or before December 27, 2021. No such contestation was received.

4. On January 5, 2022, the Monitor issued its Second Report (the "**Second Report**"). The purpose of the Second Report was to provide information to the Court on the status of the CCAA Proceedings, the security review, to request an Amended and Restated Initial Order as well as an Order Approving a Sale and Investment Solicitation Process and Approving a Stalking Horse Agreement of Purchase and Sale, the charges sought in the Amended and Restated Initial Order and to request the extension of the Stay Period until March 4, 2022.
5. On January 7, 2022, the Court granted an Amended and Restated Initial Order as well as an Order Approving a Sale and Investment Solicitation Process and Approving a Stalking Horse Agreement of Purchase and Sale. The Court also extended the Stay Period until March 4, 2022.
6. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian dollars. Capitalized terms not otherwise defined are as defined in the First Report, the Second Report or the Application under the CCAA.

PURPOSES OF THE THIRD REPORT

7. The purpose of this third report of the Monitor (the "**Third Report**") is to provide information to the Court with respect to:
 - (i) BRM's operations;
 - (ii) Cash flow results for the 9-week period ended February 18, 2022;
 - (iii) The Monitor's activities since the Second Report;
 - (iv) Update on the SISP;
 - (v) Extension of the Stay Period; and,
 - (vi) Conclusions and recommendations.
8. In preparing the Third Report and making the comments herein, the Monitor has been provided with, and has relied upon, unaudited financial information, BRM's books and records and financial information prepared by BRM and discussions with management ("**Management**") of BRM (collectively, the "**Information**"):
 - (i) The Monitor has reviewed the Information for reasonableness, internal consistency and use in the context in which it was provided. However, the Monitor has not audited or otherwise attempted to verify the accuracy or completeness of such information in a manner that would wholly or partially comply with Generally Accepted Assurance Standards ("**GAAS**") pursuant to the Chartered Professional Accountants Canada Handbook and, accordingly, the Monitor expresses no opinion or other form of assurance contemplated under GAAS in respect of the Information; and,
 - (ii) Some of the information referred to in this Third Report consists of forecasts and projections. An examination or review of the financial forecast and projections, as outlined in Chartered Professional Accountants Canada Handbook, has not been performed.
9. Future oriented financial information referred to in this Third Report was prepared based on Management's estimates and assumptions. Readers are cautioned that since projections are based upon assumptions about future events and conditions that are not ascertainable, the actual results will vary from the projections, even if the assumptions materialize, and the variations could be significant.
10. Unless otherwise indicated, the Monitor's understanding of factual matters expressed in the Third Report

concerning BRM and their business is based on the Information, and not independent factual determinations made by the Monitor.

11. The Information that was analyzed does not include the extent of the impact of Coronavirus (“**COVID-19**”) on BRM’s operations. At the time of the Third Report, the situation is continuing to evolve, and many uncertainties remain as to the effect the COVID-19 crisis has had and will continue to have on BRM and the broader domestic and global economies. The Monitor relied, in part, on publicly available information, Management forecasts and other information provided by Management in relation to the effect COVID-19 has had and will continue to have on BRM.
12. A copy of the Third Report and further reports of the Monitor, if any, will be made available on the Monitor’s website at <https://www.insolvencies.deloitte.ca/blackrockmetals> (the “**Monitor’s Website**”). The Monitor has also provided a dedicated email address and phone number that are referenced on the Monitor’s website so that parties may contact the Monitor if they have questions with respect to the BRM’s restructuring or the CCAA proceedings.

BRM’S OPERATIONS

13. Since the granting of the Amended and Restated Initial Order:
 - (i) BRM continued to operate as a going concern and pay their current employees and their suppliers in the normal course of business, for services rendered after the beginning of the CCAA Proceedings; and,
 - (ii) In addition to the current payables, an amount of approximately \$85K was, with the consent of the Monitor, paid to certain critical suppliers for services rendered prior to December 23, 2021. The Amended and Restated Initial Order allows BRM, with the consent of the Monitor, to pay suppliers that are critical to the business and ongoing operations of the Debtors, up to a maximum aggregate amount of \$100K.

CASH FLOW RESULTS FOR THE 9-WEEK PERIOD ENDED FEBRUARY 18, 2022

14. The highlights of BRM’s financial performance for the period commencing on December 23, 2021, and ending on February 18, 2022 are presented in the Actual Cash Flow annexed hereto as **Appendix A**.
15. The table below provides an overview of the cash balances and the cash variances by BRM from December 23, 2021 to February 18, 2022:

BRM cash variation	
For the period of December 23, 2021 to February 18, 2022 (in \$000 CAD)	
Cash and cash equivalents - beginning	2,855
Net variation in cash balance	(1,346)
Cash and cash equivalents - ending	1,509

16. The Monitor’s comments on the financial performance of BRM during such period are the following:

- (i) Compared with the initial statement of projected cash flow presented to the Court dated December 23, 2021 (the “**Initial Cash Flow Statement**”), BRM experienced an unfavorable variance of approximately \$27K in respect to the cash inflows. The variance is primary attributable to:
 - a. BRM collected \$42K in sales taxes credits for November 2021, which wasn’t initially budgeted, but hasn’t collected the tax refunds for any of the post-filing period yet.

This variance is however mainly due to timing as the actual tax refund expected for December 2021 and January 2022 post-filing period will be collected in March 2022.

- (ii) Compared with Initial Cash Flow Statement, BRM experienced a favorable variance of \$890K in respect to the cash outflows:
 - a. Favorable variance of \$451K in restructuring costs mainly due to timing since many of the invoicing and payments were completed later than initially expected;
 - b. Favorable variance of \$243K in due diligence fees. This variance is however mainly due to timing as the invoices should be received, partially during the next six (6) weeks; and,
 - c. Favorable variance of \$108K in independent contractor fees due to invoicing timing.
- (iii) Compared with the Initial Cash Flow Statement, BRM experienced a net favorable variance of approximately \$863K.

17. As of the date of this Third Report, all post-filing expenses incurred by BRM have been or will be paid in the normal course of business.

THE MONITOR'S ACTIVITIES SINCE THE SECOND REPORT

18. This section summarizes the activities of the Monitor since the issuance of the Second Report

CASH FLOW MONITORING OF BRM

19. The Monitor has analyzed the receipts and disbursements transacted through BRM's bank accounts on a weekly basis with full co-operation of Management and was presented with all requests for payment of services provided to BRM since the First Day Initial Order.

CCAA PROCEEDINGS

20. In accordance with the First Day Initial Order and the Amended and Restated Initial Order:

- (i) The Monitor, with the assistance of BRM, has been responding to questions of various stakeholders as to the status of the CCAA Proceedings;
- (ii) On January 6, 2022, the Monitor posted a copy of the Second Report on the Monitor's Website;
- (iii) On January 7, 2022, the Monitor published a second notice with respect to the First Day Initial Order in *La Presse +* and the *Globe and Mail National Edition*;
- (iv) On January 10, 2022, the Monitor posted a copy of the Court materials, the Amended and Restated Initial Order, as well as the Order Approving a Sale and Investment Solicitation Process and Approving a Stalking Horse Agreement of Purchase and Sale on the Monitor's Website; and
- (v) On January 10, 2022, the Monitor, with the assistance of BRM, implemented the SISP as authorized by the Order Approving a Sale and Investment Solicitation Process and Approving a Stalking Horse Agreement of Purchase and Sale. The status of the SISP is more fully described in the next section of this Third Report.

UPDATE ON THE SISP

21. On January 7, 2022, the Court granted an Order Approving a Sale and Investment Solicitation Process and Approving a Stalking Horse Agreement of Purchase and Sale (the "**SISP Order**"). In accordance with the SISP Order, the Phase 1 Bid Deadline is March 9, 2022 at 5:00 p.m. Eastern time.

22. Since the issuance of the SISP Order and in the accordance with its terms, the Monitor has taken the following actions:

- (i) On January 10, 2022, the Monitor distributed by email a Solicitation Letter ("**Teaser**") to 415 potentially interested parties;
- (ii) BRM, with the assistance of the Monitor, prepared and made available for parties having executed a non-disclosure agreement ("**NDA**"), a confidential information memorandum ("**CIM**") as well as a virtual data-room ("**VDR**") in which all the available information in order to assess the current opportunities was made available to the interested parties having executed the NDA;
- (iii) On January 12, 2022, the Monitor posted a copy of the Stalking Horse Agreement, the SISP Procedures and the Teaser on the Monitor's Website;
- (iv) On January 14, 2022, the Monitor published a notice of the SISP with respect to the Bidding Procedures Order in *La Presse +*, the *Globe and Mail National Edition* and issued a press release in *Canada Newswire*;
- (v) The Monitor followed up on a regular basis with potential interested parties having received the Teaser, by emails, phone calls and meetings. The Monitor also followed up with additional interested parties that were added to the list of potentially interested parties after the initial distribution of the Teaser. Many approaches were made by the Monitor to contact potential interested parties and attract them to the VDR;
- (vi) The Monitor attended numerous discussions and conference calls with potential bidders and their representatives; and,
- (vii) The Monitor participated in regular conference calls with Management and the Special Committee members to provide them updates on the progress of the SISP. These discussions were held collaboratively, and any material decision taken in connection with the SISP was made consensually by the Management, the Special Committee members and the Monitor.

23. Interested parties that participate in Phase 1 of the SISP have until March 9, 2022 ("**Phase 1 Bid Deadline**") to provide a non-binding letter of intent ("**LOI**") as described in the Bidding Procedures.

EXTENSION OF THE STAY PERIOD

24. The current Stay Period expires on March 4, 2022.

25. The Debtors are seeking an extension of the Stay Period until March 25, 2022, in order to complete the Phase 1 of the SISP and implement the next steps of the SISP subsequent to Phase 1.

26. The Monitor is informed that BRM intends to continue to pay its trade creditors for services rendered and goods provided in the normal course of business during the CCAA Proceedings.

27. As demonstrated by the projected cash flow (the "**Cash Flow Statement**") for the 6-week period commencing on February 19, 2022 and ending on April 1, 2022 (the "**Cash Flow Period**"), BRM should have sufficient liquidity to continue to meet its obligations during the extension period. Following the extension up to March 25, 2022, it is anticipated that BRM will need to have access to the funds provided by the Interim Financing to fund its operations.

PROJECTED CASH FLOW

28. BRM, with the assistance of the Monitor, has prepared the Cash Flow Statement for the purpose of projecting BRM's estimated liquidity needs during the Cash Flow Period. A copy of the cash flow statement is attached as **Appendix B** to this Third Report.

29. Presented in the table below is a summary of the Cash Flow Statement:

BRM Summary of the Cash Flow Statement ending April 1, 2022 (in '000 CAD)	
Cash and cash equivalents - beginning	1,509
Net variation in cash balance	(1,429)
Cash and cash equivalents - ending	80

30. The Cash Flow Statement has been prepared by BRM using probable and hypothetical assumptions set out in the notes to the Cash Flow Statement.

31. The Monitor's review of the Cash Flow Statement consisted of inquiries, analytical procedures and discussions related to Information supplied to it by Management. Since the hypothetical assumptions do not need to be supported, the Monitor's procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the Cash Flow Statement. The Monitor also reviewed the support provided by Management for the probable assumptions, and the preparation of the Cash Flow Statement.

32. Based on the Monitor's review and the foregoing qualifications and limitations, nothing has come to its attention that causes it to believe that, in all material respects:

- (i) The hypothetical assumptions are not consistent with the purpose of the Cash Flow Statement;
- (ii) As at the date of this Third Report, the probable assumptions developed by Management are not suitably supported and consistent with the plans or BRM or do not provide a reasonable basis for the Cash Flow Statement, given the hypothetical assumptions; or,
- (iii) The Cash Flow Statement does not reflect the probable and hypothetical assumptions.

33. Since the Cash Flow Statement is based on assumptions regarding future events, actual results will vary from the information presented even if the hypothetical assumptions occur, and the variations may be material. Accordingly, the Monitor expresses no opinion as to whether the projections in the Cash Flow Statement will be achieved. The Monitor expresses no opinion or other form of assurance with respect to the accuracy of any financial information presented in this report, or relied upon in preparing this report. Neither does the Monitor express any opinion as to the performance of BRM's statutory obligations with regard to projected payments to be made in accordance with the Cash Flow Statement, *inter alia* the payment of wages, the government remittances and the payroll deductions to be made by BRM.

34. The Cash Flow Statement has been prepared solely for the purpose described in the Notes to the Cash Flow Statement, and readers are cautioned that the Cash Flow Statement may not be appropriate for other purposes.

35. As indicated previously in this Third Report, BRM should have sufficient liquidity to continue to meet its obligations during the extension period. It is anticipated that BRM will need to have access to the funds provided by the Interim Financing to fund its operations after the extension period.

CONCLUSIONS AND RECOMMENDATIONS

36. In light of the foregoing, the Monitor is of the view that:

- (i) The extension of the Stay Period up to March 25, 2022 sought by the Debtors is required to conduct the SISP, implement the proposed restructuring process for the benefit of all its stakeholders and preserve the value of BRM's assets;
- (ii) Based on the information presently available, the Monitor believes the Debtors' creditors will not be materially prejudiced by the requested extension of the Stay Period; and,
- (iii) The Debtors have acted, and are acting, in good faith and with due diligence, which make the requested extension of the stay of proceedings appropriate.

37. Accordingly, the Monitor recommends that the Stay Period be extended to March 25, 2022.

38. The Monitor confirms that there is no further material development to report in this matter, other than what is provided for in this Third Report.

39. The Monitor respectfully submits to the Court this, its Third Report.

DATED AT MONTREAL, this 22nd day of February, 2022.

DELOITTE RESTRUCTURING INC.

In its capacity as Court-Appointed Monitor of BRM



Benoit Clouâtre, CPA, CA, CIRP, LIT
Senior Vice President



Jean-François Nadon, CPA, CA, CIRP, LIT
President

APPENDIX A

ACTUAL CASH FLOW

BRM**Budget-to-actual analysis on Initial Cash Flow Statement**

(in \$000 CAD)

	For the cumulative 9 weeks ended February 18, 2022				Main reason
	Actual	Budget	Var. (\$)	Var. (%)	
Receipts					
Tax refunds	42	78	(36)	-46%	GST/QST tax credits for November 2021 (\$42K) partially offset by timing difference for post-filing tax credits.
Interim financing (DIP)	-	-	-	0%	
Others	9	-	9	0%	\$5K refund for the Ontario Employer Health Tax; \$4K proceeds for a pre-filing vehicle sale
Total receipts	51	78	(27)	-34%	
Disbursements					
Payroll - Employees	332	320	(12)	-4%	
Independent contractor	74	182	108	59%	Invoicing timing for independant contractors and consultants. It should be offset in the upcoming weeks.
Directors and committee fees	48	70	22	32%	Payment timing for some of the director's fees. It should be offset in the upcoming weeks.
Rent - Offices	43	54	11	21%	February office rents in Toronto and Chibougamau not paid yet.
Restructuring costs	824	1,275	451	35%	Mainly due to timing and should be mostly offset in the upcoming weeks.
General and administrative	82	58	(24)	-41%	Feasibility study, environmental monitoring and report not budgeted (\$38K) partially offset by timing difference (\$15K).
Finance expenses	(9)	18	27	151%	Interest revenues on GICs (\$43K) partialy offset by commission on letter of credit renewal (\$35K).
Information Technologies	3	22	19	88%	
Due diligence fees	-	243	243	100%	Invoice from a supplier has not been received yet and work from another supplier has been delayed.
Contingency	1	45	44	97%	
Total disbursements	1,397	2,287	890	39%	
Net cash flow	(1,346)	(2,209)	863	39%	
Cash and cash equivalents - beginning	2,855	2,855	-		
Cash and cash equivalents - ending	1,509	646	863	134%	

APPENDIX B

CASH FLOW STATEMENT

BRMCash Flow Statement ending April 1, 2022
(in '000 CAD)

	19-Feb 25-Feb	26-Feb 4-Mar	5-Mar 11-Mar	12-Mar 18-Mar	19-Mar 25-Mar	26-Mar 1-Apr	Total
Receipts							
Tax refunds	-	-	-	50	-	100	150
Interim financing (DIP)	-	-	-	-	-	-	-
Total receipts	-	-	-	50	-	100	150
Disbursements							
Payroll - Employees	80	-	80	-	80	-	240
Independent contractor	-	84	-	7	-	84	175
Directors and committee fees	22	16	-	-	-	54	92
Rent - Offices	6	27	-	-	-	-	33
Restructuring costs	170	170	175	115	110	68	808
General and administrative	10	15	15	15	15	17	87
Finance expenses	2	2	2	2	2	2	12
Information Technologies	2	2	2	2	2	2	12
Due diligence fees	-	-	-	-	90	-	90
Contingency	5	5	5	5	5	5	30
Total disbursements	297	321	279	146	304	232	1,579
Net cash flow	(297)	(321)	(279)	(96)	(304)	(132)	(1,429)
Cash and cash equivalents - beginning	1,509	1,212	891	612	516	212	1,509
Cash and cash equivalents - ending	1,212	891	612	516	212	80	80

NOTES TO THE CASH-FLOW STATEMENT

NOTE A – PURPOSE

The purpose of these cash-flow projections is to determine the liquidity requirements of BRM during the CCAA proceedings.

NOTE B

The Cash Flow Statement has been prepared by BRM using probable and hypothetical assumptions set out in the notes to the Cash Flow Statement.

The Monitor's review of the Cash Flow Statement consisted of inquiries, analytical procedures and discussions related to Information supplied to it by Management. Since the hypothetical assumptions need not be supported, the Monitor's procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the Cash Flow Statement. The Monitor also reviewed the support provided by Management for the probable assumptions, and the preparation and presentation of the Cash Flow Statement.

NOTE C - DEFINITIONS

(1) CASH-FLOW STATEMENT:

In respect of a company, means a statement indicating, on a weekly basis (or such other basis as is appropriate in the circumstances), the projected cash-flow of the company as defined in section 2(1) of the Act based on Probable and Hypothetical Assumptions that reflect the company's planned course of action for the period covered.

(2) HYPOTHETICAL ASSUMPTIONS:

Means assumptions with respect to a set of economic conditions or courses of action that are not necessarily the most probable in the company's judgment, but are consistent with the purpose of the Cash-Flow Statement.

(3) PROBABLE ASSUMPTIONS:

Means assumptions that:

- (i) BRM believes reflect the most probable set of economic conditions and planned courses of action, **Suitably Supported** that are consistent with the plans of the company; and
- (ii) Provide a reasonable basis for the Cash-Flow Statement.

(4) SUITABLY SUPPORTED:

- (i) Means that the Assumptions are based on either one or more of the following factors:
- (ii) The past performance of BRM;
- (iii) The performance of other industries/market participants engaged in similar activities as BRM;
- (iv) Feasibility studies;
- (v) Marketing studies; or
- (vi) Any other reliable source of information that provides objective corroboration of the reasonableness of the Assumptions.

The extent of detailed information supporting each Assumption, and an assessment as to the reasonableness of each Assumption, will vary according to circumstances and will be influenced by factors such as the significance of the Assumption and the availability and quality of the supporting information.

NOTE D - ASSUMPTIONS

Assumptions	Source	Probable Assumption	Hypothetical Assumption
<u>Opening cash balance</u>	Based on current bank balances	x	
<u>Exchange rate</u>	Exchange rate used by management is the following: • US \$/Cnd \$ = 1.33/1.00		x
<u>Forecast cash receipts:</u>			
Tax refunds	Based on budgeted monthly taxable revenues and expenses		x
Interim financing (DIP)	Interim financing during CCAA proceedings	x	
<u>Forecast cash disbursements:</u>			
Payroll - Employees	Based on BRM's historical payroll reports	x	
Independent contractor	Based on BRM's historical monthly expenses	x	
Director and committee fees	Based on BRM's historical payroll reports	x	
Rent - Offices	Based on lease agreements	x	
Restructuring costs	Management estimate of professional fees to be incurred in the following weeks for monitor and legal services. The estimate has been adjusted to reflect that the actual fees were lower than those budgeted in the Initial Cash Flow Statement.		x
General and administrative	Weekly or monthly estimates of disbursements required based on historical costs and contracts	x	
Finance expenses	Based on constant historical interest revenue and bank charge	x	
Information Technologies	Based on historical information technologies costs	x	
Due diligence fees	Management estimate of professional fees to be incurred in the following weeks for project development services. The estimate has been adjusted to reflect that the actual fees were lower than those budgeted in the Initial Cash Flow Statement.		x
Contingency	General provision		x