

NO. S-206189  
VANCOUVER REGISTRY

**IN THE SUPREME COURT OF BRITISH COLUMBIA**

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,  
R.S.C. 1985, c. C-36, AS AMENDED

AND

IN THE MATTER OF THE *BUSINESS CORPORATIONS ACT*, S.B.C 2002, c.57

AND

IN THE MATTER OF THE *CANADA BUSINESS CORPORATIONS ACT*,  
R.S.C. 1985, c. C-44

AND

IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF 1057863  
B.C. LTD., NORTHERN RESOURCES NOVA SCOTIA CORPORATION, NORTHERN  
PULP NOVA SCOTIA CORPORATION, NORTHERN TIMBER NOVA SCOTIA  
CORPORATION, 3253527 NOVA SCOTIA LIMITED, 3243722 NOVA SCOTIA  
LIMITED, NORTHERN PULP NS GP ULC

**ELEVENTH REPORT OF THE MONITOR**

**ERNST & YOUNG INC.**

**October 27, 2022**

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## INTRODUCTION

1. On June 19, 2020 (the “**Filing Date**”), the Supreme Court of British Columbia granted 1057863 B.C. LTD., Northern Resources Nova Scotia Corporation, Northern Pulp Nova Scotia Corporation (“**Northern Pulp**”), Northern Timber Nova Scotia Corporation, 3253527 Nova Scotia Limited, 3243722 Nova Scotia Limited, Northern Pulp NS GP ULC (collectively, the “**Petitioners**”) relief under the *Companies’ Creditors Arrangement Act* (Canada) (the “**CCAA**”).
2. The initial order (the “**Initial Order**”), included, *inter alia*, the following provisions:
  - a) appointed Ernst & Young Inc. as monitor of the Petitioners in these CCAA proceedings (the “**Monitor**”); and
  - b) granted the stay of proceedings sought by the Petitioners (the “**Stay**”) for an initial period (the “**Stay Period**”) to June 29, 2020.
3. The Initial Order was amended and restated as at August 6, 2020 (the “**ARIO**”).
4. On April 1, 2022, this Honourable Court granted, *inter alia*, an Order (the “**Mediation Order**”) appointing the Honourable Thomas Cromwell, C.C., to act as Mediator (the “**Mediator**”) between the Petitioners, the Province, Hervey, PEC (and any other relevant parties) (the “**Mediation Parties**”) in order to mediate a settlement of the Mediation Claims (as defined in the Mediation Order).
5. On April 29, 2022, this Honourable Court granted an order approving, *inter alia*, the following:
  - a) an extension of the Stay Period to October 31, 2022 (the “**Seventh Stay Extension**”);

- b) further advances totalling \$8,000,000 under the IFF previously approved by this Court on August 6, 2020, for a total aggregate principal draws of \$29,000,000;
  - c) the amendments to the IFF to extend milestone date 1 therein from April 30, 2022, until October 31, 2022, milestone dates 1(a) and 2 therein from June 30, 2022, until October 31, 2022, and to extend the maturity date therein from June 30, 2022 to October 31, 2022 (current and amendment milestones are detailed below); and
  - d) amendments to the SIFF to extend the maturity date therein from June 30, 2022 to October 31, 2022.
6. On May 19, 2022, the Mediation Parties, with assistance from the Monitor and the Mediator, entered an agreement to pause various proceedings (the “**Pause**”) relating to the following matters (the “**Paused Matters**”) while they focus on the Mediation (as detailed below):
- a) the Leave Appeal Notice with respect to the Mediation (as described in the Tenth Report);
  - b) the TOR Judicial Review (as described in the Tenth Report);
  - c) Bill 143 Relief (as described in the Tenth Report); and
  - d) the proposed summary judgment motion by the Province within Nova Scotia Action Halifax No. 511473 requesting to lift the Stay so the Province can file and schedule a summary judgment motion on the pleadings in the Statement of Claim, to formally dismiss the claims (as described in the

Tenth Report and the Province's April 28, 2022 application response in these CCAA Proceedings).

7. The Monitor understands from discussions with the Petitioners and the Mediator that the initial 2-month Pause was subsequently extended by the parties through to September 30, 2022; and a third time to correspond with expiry of the current Stay Period on October 31, 2022.

#### Current Relief Sought

8. On October 24, 2022, the Petitioners filed motion materials (the "**Petitioners' Application**") accompanied by the thirteenth affidavit of Mr. Bruce Chapman (the "**Thirteenth Chapman Affidavit**") requesting that this Honourable Court grant an Order approving, *inter alia*, the following relief:
  - a) extending the Stay Period granted in these proceedings to April 30, 2023 (the "**Eighth Stay Extension**");
  - b) approving aggregate new additional advances in the amount of \$7,000,000 under the IFF (in addition to the \$5,000,000 unused previously approved by this Court on August 6, 2020; for aggregate advances of \$12,000,000 during the Eighth Stay Extension);
  - c) approving the amendments to the IFF to extend milestone date 1 therein from October 31, 2022 until April 30, 2023, milestone dates 1(a) and 2 therein from October 31, 2022 until April 30, 2023, milestone dates 1(b) and 3 from December 31, 2022 to April 30, 2023 and to extend the maturity date

therein from October 31, 2022 until April 30, 2023 (current and amendment milestones are detailed below);

- d) approving amendments to the SIFF to extend the maturity date therein from October 31, 2022 until April 30, 2022;
- e) authorizing the use of the IFF to fund undertakings consistent with the Eleventh Report Projections, including actions required to be taken by the Petitioners during the Eighth Stay Extension, to engage in the Mediation, and if not successfully resolved in Mediation, to preserve and enforce their legal rights against the Province pursuant to the Paused Matters (as defined above) or as set forth in the Petitioners' Statement of Claim against the Province.

9. In addition to the Petitioners' Application, the Monitor has filed an application seeking approval of its fees and activities.

#### Responses to Current Relief Sought

10. On October 25, 2022, the Superintendent of Pensions wrote to this Honourable Court stating that it did not intend to attend the hearing set for October 31, 2022 and "simply refers the Court to the relevant portions of the Superintendent's most recent response, dated April 28, 2022". In this response, the Superintendent took no position on any of the relief sought by the Petitioners.
11. On October 27, 2022, the Province filed an application response with this Honourable Court indicating that the Province took no position on the relief requested in the Petitioner's Application.

## MONITOR'S REPORTS AND PURPOSE

12. The Monitor has previously filed ten (10) reports and a supplement to a report in these CCAA proceedings, the “**First Report**” through the “**Tenth Report**” (and the “**Supplement to the Second Report**”) (together the “**Monitor’s Reports**”) all of which are posted on the Monitor’s website at [www.ey.com/ca/northernpulp](http://www.ey.com/ca/northernpulp).
13. The purpose of this eleventh report (the “**Eleventh Report**”) is to provide this Honourable Court with information with respect to the following:
  - a) an update on the Petitioners’ and the Monitor’s activities since the Tenth Report dated April 27, 2022;
  - b) an update on the EA process and the response from the IAAC;
  - c) an update on the Mediation and the Pause;
  - d) an update on the Komatsu Additional Equipment and the Remaining Proceeds;
  - e) an update on the ELC;
  - f) an update on the Mill maintenance, Hurricane Fiona (as defined below) impacts, and woodlands activities;
  - g) the budget to actual cash flow analysis (the “**Variance Analysis**”) for the period April 1, 2022 through to September 30, 2022;
  - h) the updated cash flow projections for the Petitioners (the “**Eleventh Report Forecast**”) for the period October 1, 2022 through April 30, 2023 (the “**Eleventh Report Forecast Period**”);

- i) the Petitioners' proposed fourth draw on the IFF of \$12 million and proposed amendments to the IFF Term Sheet;
- j) the Petitioners' proposed amendments to the SIFF Term Sheet;
- k) the proposed court ordered charges in these CCAA proceedings;
- l) the request for the Eighth Stay Extension;
- m) the fees and expenses of the Monitor, and its legal counsel, Stikeman Elliott LLP (the "**Monitor's Counsel**"); and
- n) the Monitor's Recommendations.

## **TERMS OF REFERENCE**

14. The Monitor refers readers to the terms of reference noted in the Second Report. In addition, all capitalized terms not otherwise defined herein have the meanings defined within the Monitor's Reports.

## **ACTIVITIES OF THE PETITIONERS SINCE THE TENTH REPORT**

15. Since the Tenth Report, the Petitioners have been engaged in the following activities:
- a) continued activities at the Mill including, *inter alia*, landfill capping, wastewater treatment and drainage, maintenance of boilers and fencing, and industrial cleaning;
  - b) continued to carry out woodland activities including, *inter alia*, analyzing and ensuring adequate staffing, maintenance of roadways, seedling nursery operations (as further supplemented below) and coordination of stumpage agreements and land surveys for the sale of wood to sawmills;

- c) assessed the impacts of the latest hurricane to hit the east coast of Canada (“**Hurricane Fiona**”) and related costs associated with maintenance, clean up, and repairs at the Mill Site and reconstruction and/or repair of all of the seedling nursery buildings. In addition, Hurricane Fiona impacted the woodland activities, with excessive trees blown over and a requirement to harvest such timber prior to decay and wood rot impacting economic value;
- d) actively participated in communications with various vendors, woodlands customers, suppliers, and other stakeholders with respect to the operation of the Mill and the CCAA proceedings in general;
- e) worked with Komatsu to address the Additional Equipment (as defined in the Ninth Report) which was not sold pursuant to the Auction Agreement;
- f) engaged with various stakeholders with respect to several activities relating to the EA process, including the following:
  - I. prepared an extensive timeline of all EA activities (“**EA Chronology**”) performed by the Petitioners, WSP, KSH and other advisors for the period from January 2020 to September 2022 (attached at Exhibit “B” of the Thirteenth Chapman Affidavit);
  - II. with assistance from WSP, prepared a report describing the WSP team engaged in the Mill transformation project and a description of the expertise and experience of the WSP members involved (attached at Exhibit “C” to the Thirteenth Chapman Affidavit);

- III. worked with internal and external communications teams to devise and implement a communication plan and to publicize the Mill transformation plan, and prepared and placed advertisements with respect to the Mill transformation project in local Nova Scotia newspapers;
- IV. prepared and sent communications to fishers and PLFN inviting input and participation regarding the receiving water studies and marine fish and fish habitat studies;
- V. initiated and attended joint meetings with NSECC and provincial and federal regulators to discuss modelling issues with respect to the receiving water studies as referenced in the TOR and followed up with provincial and federal regulators as to the adequacy of the underlying water and air quality assumptions that are foundational to the geological and environmental modelling;
- VI. met with the NSECC air quality branch to review air quality modelling methodology;
- VII. met with and shared information with the Atlantic Salmon Federation and Nova Scotia Salmon Association on the proposed and ongoing EA studies and invited input;
- VIII. met weekly with WSP to discuss and coordinate EA studies required under the TOR, including terrestrial studies, light studies, marine water fish and fish habitat studies and sampling, water quality

- sampling, benthic core sampling, physical oceanography, and review of submersible dataloggers; and communications with the federal ECCC and Health Canada with respect to air quality methodology;
- IX. held monthly update meetings with the Nova Scotia EA policy branch;
  - X. communicated with KSH with respect to analysis of predicted tertiary treated effluent and review of the KSH technical proposal and receive a quote for basic engineering;
  - XI. presented the Mill transformation project and gave EA updates to several stakeholders including labour unions, the Federation of Woodland Owners, mayors, wardens, and other officers and thought leaders;
  - XII. attended certain ELC meetings (when invited by the ELC) to understand community concerns and update the ELC on the EA process;
- g) worked with legal counsel and the Mediator, in consultation with the Monitor and its counsel, to carry out the following activities related to the Mediation:
- I. engaged in communications with the Mediator and other Mediation Parties with respect to the ongoing Mediation Process; and
  - II. engaged with the Mediator and the Monitor to agree to the Pause and extensions thereto.

- h) continued to improve and provide information to the Province (via the Monitor) with respect to the EA process, including bi-weekly updates on progress of the EA Timeline items prepared and submitted to the Province pursuant to the Province's request at the April 22, 2021 hearing. In addition to the information reported to the Province as detailed in the Eighth Report, the Petitioners are sending WSP's monthly progress reports showing WSP's progress including activities completed during the period, planned activities for the next reporting period, and commentary regarding the overall progress of each activity during the current stay period and through the duration of the project;
- i) prepared the Third Revised Gantt Chart (defined below), including all steps required to obtain approvals, including industrial approvals to construct and operate the new Mill (summarized below);
- j) prepared the revised cash flow forecast attached at Exhibit "E" to the Thirteenth Chapman Affidavit;
- k) worked with the IFF and SIFF Interim Lenders to agree and amend the terms of the IFF and SIFF Term Sheets; and
- l) continued to engage in regular communications with the Monitor with respect to its duties under the ARIO to monitor the activities and cash flows of the Petitioners and with the CCAA proceedings in general.

## ACTIVITIES OF THE MONITOR SINCE THE TENTH REPORT

16. Since the Tenth Report, the Monitor and/or its counsel has been engaged in the following activities:

- a) actively participated in numerous communications and meetings with the Petitioners, PEC, the Province, and legal counsel for all the parties, and other parties in respect of, *inter alia*, monitoring protocols, the ELC, budgeting, interim financing, preparation of the Eleventh Report, and general progress of the CCAA proceedings;
- b) participated in numerous meetings with the Petitioners with respect to the progress on the EA process and reviewed WSP meeting minutes and monthly reports and EA legislation;
- c) participated in discussions with the Mediator, the Province and the Petitioners with respect to progressing the Mediation;
- d) in consultation with the Mediator and the Mediation Parties, assisted in identification of issues related to the Paused Matters, negotiation of the terms of the Pause, and documentation and implementation of the Pause;
- e) reviewed various documents prepared by the Petitioners including the Third Revised Gantt Chart, the Petitioners communications strategy, the EA Chronology, NSECC meeting notes, and EA update meeting presentations;
- f) reviewed and discussed with the Petitioners, the decision (and related reasons and analysis report) of the Federal Climate Minister not to

designate the Mill transformation project pursuant to subsection 9(1) of the *Impact Assessment Act*;

- g) reviewed and discussed with the Petitioners, the decision of the Provincial Climate Minister to dismiss the Petitioners' appeal pursuant to Section 137 of the Environment Act appealing the TOR;
- h) continued to address queries and provide advice to the ELC relating to the CCAA process and carrying out its objectives, continued to attend and participate in ELC meetings and community presentations, and continued to review and provide comments to the ELC with respect to its ongoing strategy;
- i) continued to work with the Petitioners to address matters arising from its day-to-day activities, monitored the Petitioners' activities, reviewed all post filing payments, and compared same against the SIFF and IFF budgets, reviewed updated cash flows and the Third Revised Gantt Chart;
- j) as requested by the Province at the April 22, 2021 hearing, continued to deliver regular workstream activity progress updates to the Province's legal and financial advisors reporting the Petitioners' detailed budget to actual spending, spending by vendor, WSP monthly activity reporting, updates on the EA Timeline and overall progress summary;
- k) continued to engage with the Province with respect to CCAA matters;
- l) reviewed an agreement between the Petitioners and Komatsu with respect to the Petitioners addressing the Additional Equipment and corresponded

with the IFF Lenders with respect to payment of the residual balance of \$209,122.16 from the Net Sale Proceeds either to the IFF Lenders or to the Petitioners as an advance on the IFF (as detailed in the Tenth Report);

m) corresponded with various creditors, and other stakeholders with respect to the CCAA proceedings; and

n) prepared and filed its Eleventh Report.

## **UPDATE ON THE EA PROCESS**

### EA Studies and Surveys Required Pursuant to the TOR

17. Since the Tenth Report, the Petitioners have continued to actively work with the EA consultant to progress the following:

- a) preparing a work plan to commence the receiving water studies and marine fish and fish habitat studies, including on water activities in the Spring and Fall, to assess, *inter alia*: (i) water temperature; (ii) water quality; (iii) marine species; (iv) shore sampling; and (v) and other baseline measures, as described below, necessary to build a predictive model associated with the future operation of the Mill;
- b) performing baseline terrestrial surveys, land and water baseline light surveys, baseline freshwater fish and fish habitat surveys;
- c) performing baseline water studies including marine water fish and fish habitat surveys and sampling, DNA sampling, water quality sampling, benthic core sampling and physical oceanography data gathering;
- d) developing preliminary modelling of the receiving water system;

- e) continuing to plan and implement the approach to stakeholder engagement, including public relations and Indigenous engagement; and
- f) continuing to analyze and update the EA project scoping and budgeting.
18. The Petitioners further revised the Second Revised Gantt Chart attached at Exhibit “G” of the Twelfth Chapman Affidavit to include steps required to negotiate and obtain water supply agreements and work with the Nova Scotia Public Works to characterize the water supply as required by the TOR (the “**Third Revised Gantt Chart**”).
19. To date, the Petitioners and the EA Consultant have performed the EA activities in line with the timelines in the Second Revised Gantt Chart. There are no activities that have not been progressed as described in the Second Revised Gantt Chart.
20. A copy of the Third Revised Gantt Chart is attached at Exhibit “D” to the Thirteenth Chapman Affidavit and is summarized below. The only material amendments from the Second Revised Gantt Chart to the Third Revised Gantt Chart were to include steps required to negotiate and obtain water supply agreements and work with the Nova Scotia Public Works to characterize the water supply as required by the TOR.
21. The timelines for the industrial approvals to construct and operate and the construction approvals remain unchanged and are still expected to be obtained at the same time the final decision on the EA is anticipated to be given by the Climate Minister (August 30, 2024):

Activities and Milestones	Status	Start Date	End Date
<b>Environmental Assessment and Permitting Process</b>			
• Class 2 TOR issued (completed)	Completed	-	03/14/2022

<b>Activities and Milestones</b>	<b>Status</b>	<b>Start Date</b>	<b>End Date</b>
<ul style="list-style-type: none"> <li>IAAC determination not to designate project under the IAA (completed)</li> </ul>	Completed	05/17/2021	06/19/2022
<ul style="list-style-type: none"> <li>Develop and implement EA public engagement plan, and engage with First Nations and other stakeholders (ongoing)</li> </ul>	Ongoing	05/15/2022	02/19/2024
<ul style="list-style-type: none"> <li>Complete receiving water, lighting, fish, water, noise, wetland, flora/fauna, terrestrial, socio-economic and other environmental studies (ongoing)</li> </ul>	Ongoing	05/01/2022	12/7/2024
<ul style="list-style-type: none"> <li>Complete archaeology studies and obtain permits</li> </ul>	Not started	03/01/2023	09/15/2023
<ul style="list-style-type: none"> <li>Submit Class 2 EA Report</li> </ul>	Not Started	03/14/2024	08/29/2024
<b>Decision from the Minister' on the Class 2 EA</b>	<b>Not Started</b>	<b>-</b>	<b>08/29/2024</b>
<b>Industrial Approval to Construct</b>	Not Started	01/09/2023	08/30/2024
<b>Industrial Approval to Operate</b>	Not Started	01/09/2023	08/30/2024
<b>Construction approvals</b> - wetland, species, wildlife, crown land easement, beaches, fisheries, birds, waters, building	Ongoing	09/15/2022	08/28/2024
<b>Engineering and Design</b> - basic and detailed design engineering for the Mill transformation and Mill site and marine geotechnical and marine outfall design	Ongoing	09/15/2022	05/01/2024
<b>Water Supply</b> - Negotiate and review water supply agreement and work with Public Works to characterize water supply pursuant to the TOR	Ongoing	08/29/2022	01/15/2024

22. Due to the Paused Matters (specifically the Judicial Review of the TOR), the Third Revised Gantt Chart and the Eleventh Report Forecast anticipate no delay or additional steps in respect of TOR clarification in respect of the EA Process and continue to anticipate a final decision from the Climate Minister on the EA Process by August 30, 2024.

23. The Monitor has sought clarification that necessary steps are being taken and contingency plans are established during the upcoming months to ensure the balance of the estimated EA timeline during the Eighth Stay Extension is achievable.

24. As detailed in the Revised EA Timeline, the following activities are expected to commence/continue during the proposed Eighth Stay Extension:

- a) continuing to work with the EA Consultant to engage with First Nations and stakeholder groups, and to maintain the Third Revised Gantt Chart and post it on the Petitioners' website;
- b) continuing studies and surveys including receiving water, light, marine fish and fish habitat, baseline benthic and sediment, freshwater fish and fish habitat, wetland and surface water, flora and fauna, avifauna, and terrestrial wildlife and vegetation;
- c) commencing the air dispersion modelling acoustic environment studies and socio-economic studies;
- d) continuing to pursue the heritage research permit, and commencing the geology, soils and groundwater studies, and waste management systems;
- e) gathering information and developing an outline of the industrial approval to construct and to operate;
- f) work with the Department of Fisheries and Oceans to obtain the Fisheries Act Authorization;
- g) continue engineering and design activities including the marine outfall design, basic and detailed engineering; and
- h) negotiate the water supply agreement and work with Nova Scotia Public Works to secure adequate water supply. It is critical that a water supply agreement is finalized prior to the submission of the final EA report in March

2024; such is required in order for the EA to be approved per the TOR. The Monitor urges the Province and the Petitioners to work diligently during the Eight Stay Extension to ensure an adequate water supply agreement is finalized.

### The TOR 137 Appeal and the TOR Judicial Review

#### **TOR 137 Appeal**

25. As noted in the Tenth Report, on April 12, 2022, Northern Pulp filed the TOR 137 Appeal in response to the TOR issued on March 14, 2022. The appeal was submitted to the Climate Minister seeking to have them revisit the TOR as issued.
26. On May 5, 2022, the Climate Minister responded to the TOR 137 Appeal stating, *inter alia*, the following:
  - a) that the appeal cannot proceed and should be dismissed as the administrative steps required to provide the TOR is not a decision or order within the meaning of section 137(1) of the *Environment Act* and as such is not appealable to the Minister; and
  - b) pursuing the TOR Judicial Review is the appropriate legal avenue for the Petitioners to raise their concerns with the TOR.

#### **The TOR Judicial Review**

27. The TOR Judicial Review, which had been initiated by Northern Pulp remains outstanding and is subject to the Pause (as detailed below).

## Federal Impact Assessment Act Designation

28. As noted in the Tenth Report, on April 14, 2022 the Petitioners filed the IAAC Response with the IAAC responding to the IAAC Request for information in order for it to determine whether the project should be designated under the *Impact Assessment Act*.
29. On June 10, 2022, the Federal Climate Minister sent a letter to the Petitioners noting that the IAAC considered the information provided by the Petitioners, advice from federal authorities, input from provincial ministries, the concerns expressed by PLFN in its request, and other public concerns that are known to the IAAC. Based on this information, the Minister decided that the Mill transformation project does not warrant designation pursuant to subsection 9(1) of the *Impact Assessment Act*.
30. As noted by the Petitioners, and in the Tenth Report, a designation by the IAAC would have resulted in a potential two-year extension of the timelines and increase the estimated costs of the Mill restart. Although the IAAC reserves its right to amend its decision at any time, having made the same finding on the Mill transformation project a second time, a further amendment appears to be unlikely.

## **UPDATE ON THE MEDIATION PROCESS AND PAUSE OF LITIGATION**

### Mediation Update

31. On April 1, 2022, this Honourable Court granted the Mediation Order, appointed the Mediator, and tolled and suspended all filing deadlines, requirements to take

steps, and other time prescriptions with respect to the Mediation Claims (as defined in the Mediation Application).

32. Since the date of the Mediation Order, the Mediator has engaged with the Monitor to discuss mediation logistics and scoping of issues and has provided regular updates to the Monitor with respect to the issues arising within the Mediation.
33. The Monitor understands from discussions with the Petitioners, the Province, and the Mediator that the Mediation Parties agree that good faith efforts are being made by all of the Mediation Parties to progress the Mediation.
34. The Monitor understands from discussions with the Mediator that while a 6 month extension is being sought and would therefore be available to the Mediation Parties to pursue their ongoing discussions as part of the Mediation, appropriate meeting timelines are being put in place during the Eighth Stay Extension to facilitate progress of the Mediation. The Monitor believes the implementation of such meeting timelines will be beneficial to maintaining momentum in the discussions and ensuring the stay extension, if granted, is used effectively in respect of the Mediation efforts.

#### Pause of the Litigation

35. At the April 29, 2022 Hearing, this Honourable Court encouraged the Petitioners and the Province to consider finding an avenue that supports dialogue between the Mediation Parties with respect to the various pieces of litigation outstanding and contemplated between the Mediation Parties.

36. On May 19, 2022, the Mediation Parties, with assistance from the Monitor and the Mediator, entered into the Pause relating to the Paused Matters while they focus on the Mediation. The initial Pause was understood to be a two-month period commencing May 17, 2022 and included, *inter alia*, the following key terms:

a) The Mediation Parties agreed to an initial two-month Pause commencing May 17, 2022 in respect of the following proceedings:

I. Leave to Appeal the April 1, 2022 Mediation Order;

II. Bill 143 Relief (as discussed during the April 29th hearing); and

III. Proposed Summary Judgment motion by the Province within the Nova Scotia Action Halifax No. 511473.

(collectively, the “**Litigation Proceedings**”)

b) Northern Pulp adjourned the TOR Judicial Review initial hearing for directions scheduled for June 15, 2022;

c) During the initial two-month Pause, no steps were taken by the Petitioners, Plaintiffs or Province relating to the Litigation Proceedings, to permit the Mediation Parties the opportunity to initiate discussions with the Mediator as contemplated by the Mediation Order;

d) The Mediation Parties consented to an order tolling the timeline for the Province to file its Notice of Motion and Motion Book in respect of Leave to Appeal proceedings, during the initial two-month Pause. The Mediation Parties agreed to jointly advise the Court of Appeal of the consent extension

to the filing of Leave to Appeal materials, and/or if required seek consent order granting such extension; and

- e) The Mediation Parties agreed to seek the assistance of the Mediator to assist with the direct discussions between the Mediation Parties. The Mediation Parties agreed that they would discuss, *inter alia*, the Mediation Claims (as defined in the April 1, 2022 Mediation Order), and the “buckets” of issues identified during the April 29th hearing including (i) Review of TOR / EA Process; (ii) Mediation Order / Leave to Appeal; (iii) Bill 143 / Summary Judgment Motion; and (iv) Provincial Alternatives.

37. The Monitor understands from discussions with the Mediator, the Province, and the Petitioners, that the initial Pause was subsequently extended and remains in place pending the October 31, 2022 hearing before this Honourable Court. It is contemplated that if the Eighth Stay Extension is approved that there will be a corresponding extension of the Pause until the earlier of (a) the extended Stay Period, and (b) failure of the Mediation.

#### **UPDATE ON THE KOMATSU EQUIPMENT AND REMAING PROCEEDS**

38. As previously reported, an Auction was held in respect of various pieces of Komatsu equipment, no longer needed by Northern Pulp. The Auction was completed in December 2021. On March 31, 2022, this Honourable Court granted an order authorizing the Monitor to pay \$666,722.20 to Komatsu International (Canada) Inc. and residual proceeds from the Auction to or as directed by the Interim Lenders. On April 7, 2022, the Monitor’s counsel sent Komatsu \$666,722.20.

39. On October 7, 2022, the Monitor's counsel sought direction from the Interim Lenders as to whether they would like the Monitor's counsel to pay the Remaining Komatsu Proceeds directly to the Petitioners as an advance on the IFF, as previously contemplated. The residual balance of \$209,122.16 continues to be held by the Monitor's counsel pending instructions from the Interim Lenders.
40. The Tenth Report details a sixth piece of D155AX-7 equipment with serial number 90248 (the "**Additional Equipment**") which was determined by the Monitor's counsel to be subject to a valid PMSI in favour of Komatsu. The Additional Equipment was not included in the Auction Equipment sold in the Auction as it needed extensive repairs due to fire damage and has no equity as it was valued by Ritchie Brothers at far less than the amount due to Komatsu under its lease with the Petitioners. The Petitioners and Komatsu have agreed in principle on a settlement and surrender agreement in order for Komatsu to take possession of the Additional Equipment and are currently working together to negotiate and execute a definitive agreement.

#### **UPDATE ON THE ENVIRONMENTAL LIAISON COMMITTEE**

41. Since the Tenth Report, the ELC has continued to engage, *inter alia*, in the following activities:
- a) carrying out its administrative duties including hosting regular meetings (meetings were held monthly during the summer months to allow for holidays and for the EA process to gain momentum);
  - b) continuing to correspond with various stakeholders, including the Petitioners, the Monitor, regional networks, journalists, wildlife, forestry, and

fishery organizations and associations, First Nations community members, and other community members to discuss issues with respect to the transformation of the Mill and its impact on the people of Nova Scotia;

- a) continuing to meet with the Petitioners and advising of their findings with respect to action points that will assist the Petitioners in continuing their efforts to work with and partner with the community;
- b) engaged with the *Canadian Forest Industries* publication resulting in the article “Let’s talk: Northern Pulp, social license, public perception” raising further awareness of the purpose of the ELC, its activities, and the efforts they are making to help support an environmentally sound and best-in-class Mill;
- c) continuing to engage with the Petitioners’ communications lead to better understand various components of the EA process and strategy and to enable the ELC to respond to questions from community stakeholders; and
- d) prepared the ELC’s fourth report which is in draft and will be finalized and posted to its website at [www.elc4ns.ca](http://www.elc4ns.ca) over the next couple of weeks.

#### Monitor’s Comments with respect to ELC

42. The ELC continues to be a valuable independent and objective link between the community, stakeholders and the Petitioners. The Monitor actively engages with the ELC and believes they continue to make a positive impact on community engagement and assists Northern Pulp in understanding the community’s ongoing concerns and recommendations.

43. During the proposed Eighth Stay Extension, the ELC plans to hire a facilitator to host public consultations (which services will be paid from budget allocation previously approved by this Honourable Court), seek out and continue stakeholder consultations throughout the EA process, seek out regular updates from Northern Pulp with respect to the EA progress and ensure issues brought forward by the ELC from community stakeholders are appropriately addressed in a timely manner by Northern Pulp. The Monitor continues to support the ELC's strategy and action plans and will continue to work with the ELC throughout these CCAA proceedings.

## **UPDATE ON MAINTENANCE OF THE MILL AND THE WOODLANDS ACTIVITIES**

### **Mill Activities**

44. The Mill remains in a hibernated state. Ongoing activities with respect to the Mill include industrial cleaning and maintenance, boiler maintenance, lease of outdoor washroom facilities, maintenance of grounds and fencing, Mill inspection rounds, and manlift and elevator inspections.
45. The Petitioners continue to remove wastewater from the Mill as part of the ongoing maintenance of the property and have agreed to wastewater treatment terms with its partner through December 31, 2022. It is expected this agreement will be renegotiated with acceptable terms for the 2023 calendar year.

### **Hurricane Damage**

46. Hurricane Fiona hit the east coast of Canada on September 24, 2022. The storm caused trees to fall, which damaged the roof of the pulp machine building and cause damage to the siding of other buildings on the Mill site.

47. In addition, and in relation to the nursery operations, 12 greenhouses were destroyed and require reconstruction and 13 additional greenhouses require significant repairs. Nursery operations are profitable, providing seedlings and trees for reforestation and silviculture for various companies throughout Nova Scotia.
48. The Petitioners are working diligently to assess any potential insurance coverage or governmental support that may be available, and to address the damage to both the Mill site and the nurseries and expect repairs to cost approximately \$2 million (as detailed below).

#### Woodland Operations

49. The woodland operations continue to be cash flow positive, and it is anticipated that the woodland operations will remain cash flow positive throughout the proposed Eighth Stay Extension. The Monitor would like to highlight, as stated in the Thirteenth Chapman Affidavit, that Hurricane Fiona caused a significant amount of fallen trees and damage to the woodlands and the Petitioners are working with their forestry partners and regulators to decide how to remediate the damaged woodlands. The assessment of damage is ongoing, with adjustments to harvest schedules to accelerate the harvest of damaged timber in the short term.

#### **INTERIM FINANCING BUDGET TO ACTUAL ANALYSIS**

50. The Monitor, in consultation with the Petitioners, has prepared the following variance analysis comparing the actual cash flow activity of the Petitioners against the Tenth Report Cash Flow Projections for the period April 1, 2022 through September 30, 2022 (the “**Cash Flow Reporting Period**”).

51. A copy of the Variance Analysis is attached hereto at **Appendix “A”**.

	Actuals	Tenth Report Cash Flow Projections	Variance
	April 1 to September 30, 2022	April 1 to September 30, 2022	
Beginning cash balance (Operating)	\$6,788,556	\$6,788,556	\$-
<b>Mill operations</b>			
Landfill capping	(18,627)	(115,000)	96,373
Electricity	(200,000)	(331,200)	131,200
Hibernation of Boilers	(75,760)	(62,100)	(13,660)
Industrial Cleaning	-	(69,000)	69,000
Snow Clearing	(31,378)	(5,750)	(25,628)
Manlift and Elevator Monthly inspections	(48,077)	(45,630)	(2,447)
Cleaning and other	(96,300)	(149,870)	53,570
<b>Total mill operations</b>	<b>\$(470,142)</b>	<b>\$(778,550)</b>	<b>\$308,408</b>
<b>BH operations</b>			
Wastewater treatment	(426,321)	(758,241)	331,920
Testing and other	(37,990)	(51,923)	13,932
<b>Total BH operations</b>	<b>\$(464,311)</b>	<b>\$(810,164)</b>	<b>\$345,852</b>
<b>Environmental assessment</b>			
Terms of Reference	(111,913)	-	(111,913)
ETF Detailed Design Engineering	-	(15,000)	15,000
Project Management	(134,520)	(115,000)	(19,520)
Receiving Water Study (RWS)	(134,845)	(218,500)	83,655
Effluent Characterization	(8,034)	(23,000)	14,965
Marine Fish & Fish Habitat	(298,141)	(230,000)	(68,141)
GIS Support	(22,553)	(23,000)	447
HHRA	(14,073)	(23,000)	8,927
Landscape & Visual	(23,621)	(19,550)	(4,071)
Freshwater Fish & Fish Habitat	(13,382)	(23,000)	9,618
Flora/Fauna Studies	(8,347)	(5,175)	(3,172)
Marine Pipeline Design	-	(34,500)	34,500
Permits/Authorizations	-	(12,650)	12,650
Socio-economics	-	(40,250)	40,250
Meetings with Regulatory Agencies	-	(20,125)	20,125
Contingency	(58)	(152,375)	152,318
<b>Total Environmental assessment</b>	<b>\$(769,487)</b>	<b>\$(957,375)</b>	<b>\$187,888</b>
<b>Payroll</b>			
Hourly and salary payroll	(668,870)	(672,851)	3,981
Bonus in lieu of KERP	(90,203)	-	(90,203)
Salary EA Comm	-	(126,379)	126,379
Other HR costs	(157,616)	(194,695)	37,079
<b>Total payroll</b>	<b>\$(916,689)</b>	<b>\$(993,925)</b>	<b>\$77,237</b>
<b>Administrative (non-restructuring)</b>			
PEC Management Fees	(1,473,825)	(1,035,000)	(438,825)
Professional fees	(1,213,648)	(1,956,150)	685,334
Legal - Alternative Dispute Resolution / Litigation	(318,257)	(488,750)	227,661
Insurance	(711,966)	(1,035,863)	323,897
Property taxes	(96,943)	(167,500)	70,557
Other	(223,095)	(617,975)	394,880
<b>Total administration (non-restructuring)</b>	<b>\$(4,037,734)</b>	<b>\$(5,301,238)</b>	<b>\$1,263,503</b>

<b>Other receipts</b>			
Woodlands net receipts	894,076	(146,364)	1,040,440
HST and other miscellaneous receipts	1,177,183	792,883	384,300
<b>Total other receipts</b>	<b>\$2,071,258</b>	<b>\$646,519</b>	<b>\$1,424,739</b>
<b>OPERATING CASH FLOW</b>	<b>\$(4,587,105)</b>	<b>\$(8,194,733)</b>	<b>\$3,607,627</b>
<b>Restructuring costs</b>			
KERP	(64,464)	(68,750)	4,287
Professional fees - restructuring	(1,425,935)	(3,220,000)	1,794,065
<b>Total restructuring costs</b>	<b>\$(1,490,398)</b>	<b>\$(3,288,750)</b>	<b>\$1,798,352</b>
<b>Total Costs</b>	<b>\$(6,077,503)</b>	<b>\$(11,483,483)</b>	<b>\$5,405,979</b>
<b>Cash balance before DIP Draws<sup>1</sup></b>	<b>\$711,052</b>	<b>\$(4,694,928)</b>	<b>\$5,405,979</b>
DIP Draw	3,000,000	8,000,000	(5,000,000)
<b>Ending Cash Balance (Operating)</b>	<b>\$3,711,052</b>	<b>\$3,305,074</b>	<b>\$405,979</b>
<b>Subordinated Interim Facility (SIFF)</b>			
Opening Cash (SIFF)	464,672	464,672	-
Pension Funding	-	-	-
Severance, Retiree, and Salary Continuance	(308,785)	(379,605)	70,820
Other activity	2,359	-	2,359
SIFF Draw	-	500,000	(500,000)
<b>Ending Cash Balance (SIFF)</b>	<b>\$158,246</b>	<b>\$585,067</b>	<b>\$(426,821)</b>
<b>Total ending cash in Operating &amp; SIFF</b>	<b>\$3,869,299</b>	<b>\$3,890,140</b>	<b>\$(20,842)</b>

## Mill Operations

52. Mill Operations and Maintenance include the following activities and sub-activities:

- a) **Landfill Capping** – As noted in the Eighth Report, landfill capping was substantially complete as at the date of the Eighth Report. The budget contemplated further clay and grass to be deposited and planted. After continued assessment of the lands throughout the Seventh Stay Extension period, it was determined only a small amount of additional clay and grass was required causing a \$0.10 million favourable variance.
- b) **Electricity** – Electricity used to power the Mill is provided by Nova Scotia Power Inc. (“NSPI”). Due to reductions in electricity usage by Northern

<sup>1</sup> Variance in the period prior to accounting for the budgeted IFF draw is \$5.4 million. The Petitioners only drew \$3 million of the approved \$8 million draw during the variance period.

Pulp, NSPI agreed to reduce monthly pre-payments in the amount of \$40,000 causing a \$0.13 million favourable variance.

- c) **Industrial Cleaning** – Industrial cleaning expected to be incurred during the period was not required causing a \$0.07 million favourable variance.

#### Wastewater Disposal

53. The favourable variance of \$0.33 million in wastewater treatment costs is a result of the following factors:

- a) favourable weather conditions (limited rainfall);
- b) the capping of the landfill has helped to reduce the volume of landfill leachate; and
- c) due to limited volumes, all wastewater could be treated by the Petitioners' primary vendor, and other providers offering less favourable terms were not required.

#### Environmental Assessment

54. The favourable variance in EA costs of \$0.18 million relates to the following:

- a) the unfavourable variance of \$0.11 million in costs related to addressing the issues in the TOR is due to timing differences. Most of the costs related to the issues surrounding the TOR were incurred prior to April 2022 but were invoiced and paid during the Tenth Report Forecast period;

- b) a favourable variance of \$0.05 million in marine pipeline and detailed design engineering due to scheduling the design vendor to complete the work. The vendor is now available and progressing the design engineering;
- c) a favourable variance of \$0.02 million in ongoing studies and project management that are in progress but are under or over spent due to invoice timing;
- d) a favourable variance of \$0.07 million related to permitting, socio-economic studies, and meeting with regulatory agencies that was not incurred as these activities rely on meetings with regulators that have not yet occurred due to availability; and
- e) a favourable variance of \$0.15 million as a result of the contingency not being utilized.

#### Payroll and Benefits

- 55. In May 2022, annual performance bonuses in the amount of \$0.09 million were paid in the normal course to thirteen salaried employees. The bonuses amounted to approximately 4% to 9% of the employees' annual salaries, which the Monitor deemed reasonable and appropriate given the length of the current CCAA proceedings and efforts made by each individual during the period.
- 56. As noted in previous reports, the Petitioners planned to hire additional resources to help advance the EA process. To date, additional resources have been engaged as external consultants through an advisory firm. The Petitioners continue to

assess the requirement for additional resources and intend to hire these additional resources when appropriate candidates can be identified.

#### Professional Fees (non-restructuring & restructuring)

57. The favourable variance in restructuring fees of approximately \$1.79 million and in non-restructuring professional fees of approximately \$0.69 million is a result of the Pause, the Petitioners taking a conservative approach to budgeting professional fees and timing difference between costs incurred and payment of those costs.
58. Litigation costs were budgeted at \$0.48 million and the Petitioners incurred costs for preservation of claims against the Province during the period totalling approximately \$0.32 million causing a favourable variance due to the Pause.

#### Other Administrative Costs

59. The unfavourable variance in PEC Management Fees is due to the following factors:
- a) in 2021, PEC inadvertently omitted GST on invoices it charged to Northern Pulp. For tax purposes, Northern Pulp is not considered related to PEC. GST related to management fees paid in 2021 was retroactively accrued and paid to PEC contributing approximately \$0.27 million of the unfavourable variance. Ultimately, GST paid on service will be claimed back in income tax credits in due course; and
  - b) timing differences between when the Petitioners incurred the fees and when PEC invoiced the Petitioners each month.

60. The favourable variance in insurance costs of \$0.30 million is due to timing of payment of insurance. Insurance costs on an annual period amount to approximately \$1.0 million and are frequently being negotiated with the insurance provider to obtain optimum rates.
61. The budget for other costs included a contingency provision of \$0.05 million per month (\$0.30 million over the course of the reporting period), which was not utilized.

#### Woodlands

62. The woodlands operations revenue and volume were slightly less than expected throughout the winter and spring months. Lower volume was coupled with lower costs and, as previously mentioned, the woodland operations continue to be cash flow positive in the annual basis. The \$0.14 million variance is a temporary month-to-month variance due to timing of receipt of revenues from the Province for stumpage.

#### Payments from the SIFF

63. The following payments were made from the SIFF during the period:
- a) \$261,249 in retiree benefits and retiree pay;
  - b) \$44,721 in hourly severance; and
  - c) \$2,814 in salary continuance payments.
64. The main component of the variance in the SIFF account is due to the average monthly amount of retiree benefits (approximately \$38,000) being lower than forecast (\$50,000).

65. The Petitioners did not draw additional funds from the SIFF Facility during the reporting period.

## CASH FLOW PROJECTIONS THROUGH CURRENT STAY PERIOD

66. The Petitioners, with the assistance of the Monitor, have prepared the Eleventh Report Projections on a monthly basis for the period October 1, 2022 to April 30, 2023.
67. A copy of the Eleventh Report Forecast is attached to the Thirteenth Chapman Affidavit at Exhibit “H” and is summarized at **Appendix “B”** to this Eleventh Report.
68. The Petitioners’ general operating account is partially funded by the proceeds from the IFF and is shown below separately from the severance, salary continuance and retiree benefit bank account which is entirely funded by the SIFF.

<b>Beginning Cash – General Operating Account</b>	<b><u>\$3,711,052</u></b>
<b>Receipts</b>	
Woodlands Collections	3,499,449
HST	934,657
<b>Total Collections</b>	<b><u>\$4,434,106</u></b>
<b>Operating Disbursements</b>	
Utilities	386,400
Finance Costs - Property Taxes / Insurance	368,005
Mill Activities	419,750
Wastewater Disposal	554,220
Environmental Assessment	4,719,083
Non-restructuring Professional Fees	2,658,800
Hurricane Fiona – Clean Up & Safety Repairs	891,250
Hurricane Fiona – Nursery Rebuild	1,121,250
Salary and Benefits & HR Costs	1,253,684
PEC Administrative Services	1,230,500
Wood Costs	2,926,789
Miscellaneous Expenditures	177,100
Contingency	350,000
<b>Total Operating Disbursements</b>	<b><u>\$17,056,830</u></b>
<b>NET OPERATING CASH FLOW</b>	<b><u>\$(12,622,724)</u></b>
<b>Restructuring Disbursements</b>	
Professional Fees - Restructuring	(1,069,500)
<b>Total Restructuring Disbursements</b>	<b><u>\$(1,069,500)</u></b>
<b>NET CASH FLOW</b>	<b><u>\$(13,692,224)</u></b>
<b>Ending Cash Balance – General Operating Account</b>	<b><u>\$ (9,981,172)</u></b>
IFF Draw Previously authorized by the Court	\$5,000,000
IFF Draw Requested	\$7,000,000
<b>Total Draw</b>	<b><u>\$12,000,000</u></b>

Ending cash after DIP – General Operating Account	<u>\$2,018,828</u>
Beginning Cash – SIFF/Former Employee Account	<u>\$158,246</u>
Operating Disbursements	
Pension Funding	-
Severance and Salary Continuation	<u>402,378</u>
<b>Total Operating Disbursements</b>	<u><b>\$402,378</b></u>
<b>NET CASH FLOW</b>	<u><b>\$(402,378)</b></u>
Ending Cash Balance – SIFF/Former Employee Account	<u>\$(244,132)</u>
DIP Draw	<u>\$500,000</u>
Ending cash after DIP – SIFF/Former Employee Account	<u>\$255,868</u>

### Cash Flows Funded by the IFF

#### **Woodlands Operations**

69. Woodland collections of \$3.5 million are offset by wood costs of \$2.9 million resulting in profits from the woodlands operations of approximately \$0.6 million.

#### **Finance Costs**

70. Finance costs relate primarily to monthly payment to PEC of \$0.15 million totalling \$1.2 million in management fees and \$0.3 million of property taxes to the municipality of Pictou, which are paid in two installments in October 2022 and April 2023.

#### **Mill Maintenance Activities**

71. Mill maintenance activities include the cost of electricity, industrial cleaning, hibernation of boilers, mandatory manlift and elevator inspections and other miscellaneous disbursements.

## **Wastewater Treatment**

72. Wastewater treatment costs are mostly dependant on the amount of precipitation and are forecast to decrease significantly due to improved precipitation runoff and absorption as a result of the landfill capping.

## **Environmental Assessment Costs**

73. Environmental assessment costs totalling \$4.71 million relate to the following:
- a) approximately \$1.9 million to KSH and other vendors for basic design engineering, marine outfall design, Mill site geotechnical, effluent characterization, effluent benchmarking, closed-loop feasibility review, and air emission investigations;
  - b) approximately \$1.9 million to the EA Consultant relating to receiving waters studies, GIS support, atmospheric, acoustic, and marine environments, freshwater fish and fish habitat studies, permits and authorizations, wetland and surface water studies, terrestrial flora and fauna studies and tissue sampling, avifauna studies, light studies, socio-economic studies, archaeological studies, and HERA permits;
  - c) approximately \$0.08 million for community engagement costs to pay for community members and First Nations members to attend and observe various studies;
  - d) approximately \$0.09 million for initial preparation of the EA report;
  - e) approximately \$0.27 million in project management fees; and
  - f) a 20% contingency totalling \$0.47 million.

## **Hurricane Fiona**

74. Costs related to the impacts from Hurricane Fiona include approximately \$0.90 million in costs to repair roofing, siding and grounds at the Mill site and \$1.1 million to rebuild 12 greenhouses and repair 13 additional greenhouses.
75. The Petitioners continue to pursue available provincial emergency funding support or insurance coverage with respect to these costs, and if such financial support were received, there will be a positive variance in the Petitioners' cash receipts.

## **Salary and Benefits**

76. Salaries and benefit costs consist of the following:
- a) full-time salaried payroll totalling \$0.52 million
  - b) a salaried EA communications team totalling \$0.26 million. This is an estimated amount required to fill three positions relating to the community engagement, First Nations relations, and environmental expertise. These positions remain vacant as of the date of this report, but the Petitioners hope to fill the roles during the period;
  - c) full and part-time hourly payroll totalling \$0.13 million; and
  - d) benefits totalling \$0.092 million.

## **Professional Fees (non-restructuring and restructuring)**

77. Professional fees (non-restructuring and restructuring) are detailed in the table below:

Vendor	Description of Fees	Fees
McCarthy Fees	General CCAA Support	\$350,000
McInnes Fees	General Corporate Counsel Fees	525,000
McCarthy, McInnes and Mediator fees	Pursuant to the Mediation Order	800,000
	<b>Total Petitioners' Counsel and Mediator Fees</b>	<b>\$1,675,000</b>
Monitor's Fees	Professional duties under the ARIO and CCAA	\$350,000
Monitor's Counsel Fees	Professional duties under the ARIO and CCAA	230,000
	<b>Total Monitor and Monitor's Counsel fees</b>	<b>\$580,000</b>
Various	Environmental, communications and other external consultant costs	\$987,000
	Excise taxes	486,300
	<b>Total restructuring and non-restructuring fees per Revised Budget</b>	<b>\$1,473,300</b>
		<b>\$3,728,300</b>

78. As detailed in the Thirteenth Chapman Affidavit and the Tenth Report, PEC and Hervey are included as plaintiffs in the Statement of Claim. PEC will pay 20% of the aggregate costs of engaging in the Mediation Process and if necessary, pursuing the claims of the Plaintiffs against the Province set forth in the Statement of Claim. The 20% of professional costs payable by PEC is cumulative to certain of the non-restructuring professional costs described above, and for clarity is not included in the table above.

#### Monitor's Comments on the Professional Fees

79. The Monitor is of the view that the professional fees in the budget are reasonable in the circumstances and are not overly conservative as the Monitor had noted previously. However, the budgeted costs for these activities remain in their nature estimates and are based on probable and hypothetical assumptions that could vary significantly depending upon several factors, including the effectiveness of the

Mediation and whether the Mediation fails and the Pause is lifted during the Eighth Stay Extension period. Should the Mediation fail and the Pause be terminated, an application by the Petitioners before this Honourable Court may be necessary to seek approval of additional IFF advances to fund litigation expenses in respect of non-mediation costs.

80. The Petitioners are proposing this Honourable Court grant an order approving an increase advance on the IFF and are expecting to use the IFF to cover the professional fees included in the table above. A portion of these costs (\$0.80 million) are for additional litigation spending costs to continue their Mediation efforts.
81. The Petitioners support for litigation spending, as outlined in the Thirteenth Chapman Affidavit, is as follows:
  - a) the Interim Lenders have agreed, subject to approval by this Honourable Court, that up to \$800,000 (excluding HST) of the advances during the extended Stay Period may be used to fund actions required to engage in the Mediation or preserve and enforce their legal rights against the Province pursuant to the Paused Matters or as set forth in the Statement of Claim;
  - b) these funds will be advanced at the same rate as the other advances under the IFF;
  - c) the Interim Lenders have confirmed that they are not prepared to “carve out” any amounts advanced for such purposes from the Interim Lender’s Charge to allow separate financing; and

d) the Petitioners believe that, given the uncertain nature of such matters, in particular in light of the BHA Amendments, no third party would be willing to fund actions to preserve and enforce the legal rights of the Plaintiffs against the Province set forth in the Statement of Claim under any contingency or other arrangement, and certainly not at the favourable rates being provided by the Interim Lenders.

82. On April 29, 2022, this Honourable Court approved an \$8 million draw on the IFF. During the Seventh Stay Extension, the Petitioners only drew \$3 million leaving \$5 million available to be drawn. Of the \$5 million remaining, and the \$7 million increase in the IFF that the Petitioners are now requesting, the Petitioners propose to draw \$6 million in November 2022 and \$6 million in February 2023. The Petitioners have confirmed that they will not draw upon funds that are not required and will consult with the Monitor prior to making any draws under the IFF.

#### Cash Flows Funded by the SIFF

83. Retiree pay and benefits of \$0.40 million are forecast. Salary continuance has been fully paid and no further severance payments are forecast.

84. The Eleventh Report Forecast does not contemplate any pension payments during the proposed Stay Period. Under the terms of the SIFF, pension amounts are subject to the Satisfactory Progress Condition. As detailed in the Thirteenth Chapman Affidavit, the Subordinated Lender has not provided notice that it is satisfied that the Petitioners have made satisfactory progress in settlement discussions. Accordingly, pension funding is assumed to be delayed until after the end of the Eleventh Report Forecast.

## **PROPOSED FOURTH DRAW ON THE IFF AND AMENDMENTS TO THE IFF**

### Proposed Fourth Draw on the IFF

85. The ARIO was granted by this Honourable Court on August 6, 2021 approving, *inter alia*, borrowing of \$15 million under the \$50 million IFF in order to finance the continuation of the business and preservation of the Petitioners' property, provided that the borrowings under such credit facility do not exceed \$15 million, unless permitted by further order of this Honourable Court.
86. The ARIO also states that the credit facility shall be on the terms and subject to the conditions set forth in the term sheet between the Petitioners and the Interim Lenders, which is attached at Exhibit "B" of the Fourth Chapman Affidavit.
87. On April 22, 2021, this Honourable Court approved a second draw on the IFF of \$6 million to be drawn on the IFF and on April 29, 2022 this Honourable Court approved a third draw on the IFF of \$8 million, bringing the total approved IFF to \$29 million. The Petitioners drew the entire \$6 million during the Sixth Stay Extension and \$3 million during the Seventh Stay Extension, bringing the aggregate of IFF draws to \$24 million, leaving \$5 million of availability to draw as at September 30, 2022.
88. As detailed in the Eleventh Report Forecast, considering the remaining draw of \$5 million, the Petitioners will not have sufficient liquidity to sustain their operations through the end of April 2023 without access to an increased IFF. The timing and quantum of the required supplemental IFF proceeds remains subject to various assumptions embedded within the Eleventh Report Forecast.

89. The Petitioners are requesting that this Honourable Court grant an Order authorizing an increase to the IFF in the amount of \$7 million, bringing the total approved IFF availability to \$36 million.

#### Amendments to the IFF

90. As shown in the Eleventh Report Forecast and the below table, as at September 30, 2022, the Petitioners held cash balances of \$3.7 million in the IFF operating account. The Eleventh Report Forecast contemplates projected spending of \$13.7 million over the proposed Stay Period. A draw of the remaining \$5 million previously authorized under the IFF, plus the requested \$7 million increase in the authorized draws under IFF, will result in a balance of \$2 million as at the end of the proposed Stay Period.

<b>Operating Account</b>		
<b>Opening cash balance as at June 19, 2020</b>		<b>\$6,674,021</b>
Litigation Preservation	\$(746,604)	
Other Professional Fees	(9,661,926)	
EA costs	(1,047,615)	
Mill hibernation, maintenance, wastewater treatment, HR, other finance costs	(19,822,856)	
Woodlands	4,316,032	
Net CF June 19, 2020 to September 30, 2022 (excluding DIP draws)		<b><u>\$(26,962,969)</u></b>
<b>Cash Deficiency supported by DIP</b>		<b><u>\$(20,288,948)</u></b>
DIP draw – to September 2022		<b><u>24,000,000</u></b>
<b>Closing cash balance as at September 30, 2022</b>		<b><u>\$3,711.052</u></b>
Professional Fees (broken down above)	\$(3,728,300)	
EA costs	(4,719,083)	
Mill hibernation, maintenance, wastewater treatment, HR, other finance costs	(5,817,501)	
Woodlands	572,600	
<b>Net CF October 1, 2022 to April 30, 2023 (excluding DIP draws) - as per budget</b>		<b><u>\$(13,692,224)</u></b>

Proposed DIP draw	12,000,000
<b>Total cash remaining from DIP advanced as at April 30, 2023</b>	<b>\$2,018,828</b>

91. The IFF milestones and maturity date are currently as follows:

1. By no later than October 31, 2022, the Borrowers shall have provided evidence satisfactory to the Lenders (acting reasonably) that there is no existing or anticipated matter, event or circumstance that would reasonably be expected to have a material adverse effect on the ability of the Borrowers to satisfy the conditions set out in:

- I. paragraph 2 below by October 31, 2022; or
- II. paragraphs 3(a) or 3(b) below by December 31, 2022;

2. By no later than October 31, 2022, the Borrowers shall have: (i) obtained all material regulatory approvals required to commence construction of a Replacement ETF; (ii) entered into an agreement with the Province to compensate the Petitioners for losses associated with the shutdown of the or the Boat Harbour Effluent Treatment Facility, hibernation of the Mill and cessation of operations and share the costs associated with obtaining approvals for and construction of the Replacement ETF, in settlement of claims of the Petitioners against the Province pursuant to agreements between the Province and the Petitioners (the "Agreements"); and (iii) obtained financing for the Replacement ETF, each in form and substance satisfactory to the Lenders (acting reasonably);

3. By no later than December 31, 2022, the Borrowers shall have:

- a. entered into an agreement with the Province in settlement of claims of the Petitioners against the Province pursuant to the Agreements, compensating the Petitioners for losses associated with the hibernation of the Mill and cessation of operations, in form and substance satisfactory to the Lenders (acting reasonably); or
- b. obtained a final non-appealable decision from a court of competent jurisdiction satisfactory to the Lenders (acting reasonably) awarding the Petitioners damages payable by the Province for losses associated with the hibernation of the Mill and cessation of operations.

92. The first milestone of the IFF Term Sheet will not be met by October 30, 2022 and milestones in 1(a) and 2 above will not be met by October 31, 2022. In addition, milestones 1 (b) and 3 will not be met by December 31, 2022. The Interim Lenders

have agreed to amend the IFF Term Sheet to extend all five milestone dates to April 30, 2023.

93. Currently, all advances made under the IFF will mature and be fully repayable on October 31, 2022. The Interim Lenders and the Petitioners have agreed to extend the maturity date to April 30, 2023.
94. A copy of the proposed amended IFF Term Sheet is attached at Exhibit “H” to the Thirteenth Chapman Affidavit.

#### Monitor’s Comments on the Fourth IFF Draw and the IFF Amendments

95. As noted above, the Monitor’s view is that the forecast is reasonable in the circumstances. However, the nature of a forecast is that it is an estimation at a point in time of the costs that are, in the Petitioners’ best estimates, going to be incurred during the specified time periods over the forecast period. The exact timing and quantum of the monthly cash flow remains subject to change. The Petitioners are conscious that drawing on the IFF prior to when the cash is immediately required will result in increased interest costs and are balancing this with the need to ensure stability during the proposed Stay Period with available financing.
96. The Interim Lenders have continued to provide financing in accordance with existing terms of their loan agreements, and no steps have been taken to initiate or indicate any default or potential default. The Monitor understands that should this Honourable Court grant the proposed Order amending the IFF, the financing

under the IFF will continue to be available to the Petitioners through the proposed Stay Period.

## **PROPOSED AMENDMENTS TO THE SIFF**

97. On September 25, 2020, this Honourable Court approved the SIFF in the amount of \$6.10 million and on April 22, 2021 this Honourable Court approved an increase in the SIFF of \$2.80 million specifically to pay for special pension payments for a total facility of \$8.90 million.
98. As at September 30, 2022, the following payments totalling \$4.62 million have been made from the SIFF:
  - a) salary continuance totalling \$1.60 million;
  - b) retiree benefits and pay totalling \$0.90 million;
  - c) severance totalling \$1.63 million; and
  - d) pension payments totalling \$0.50 million.
99. The balance on the SIFF is \$1.48 million approved to pay for salary continuance, retiree benefits and pay, and severance, and \$2.5 million approved for special pension payments. Special pension payments of approximately \$2.9 million for 2021 and \$2.2 million for 2022 have not yet been paid as the conditions in the SIFF with respect to progression of the settlement discussions has not yet been achieved (as detailed above).
100. Of the remaining borrowing availability of \$1.48 million, the Petitioners are proposing to draw an additional \$0.5 million during the proposed Stay Period as detailed in the Eleventh Report Forecast.

## SIFF Amendments

101. Currently, all advances made under the SIFF Facility will mature and be fully repayable on October 31, 2022. The Interim Lenders and the Petitioners have agreed to extend the maturity date to April 30, 2023. A copy of the amended SIFF Term Sheet is attached at Exhibit “I” to the Thirteenth Chapman Affidavit.

## **PROFESSIONAL FEES AND DISBURSEMENTS**

102. As described above, the Monitor has filed an application seeking approval of its fees and activities in respect of these CCAA proceedings for period following September 25, 2021.

103. The Monitor’s fees and disbursements for the period from September 25, 2021 to October 7, 2022 are detailed at Exhibit “A” and Exhibit “B” of the Third Affidavit of Holly Palmer filed with this Honourable Court on October 27, 2022, which includes details with respect to hours spent by each employee during the period. The table below provides a summary of the fees for this period:

### **Ernst & Young Inc.**

<b>Invoice No.</b>	<b>Date</b>	<b>Period Covered</b>	<b>Fees</b>	<b>Expenses</b>	<b>Subtotal</b>	<b>Taxes</b>	<b>Total</b>	<b>Hours</b>
C500007295	Oct 19, 2021	Sep 25 – Oct 15	86,070	458	86,528	4,326	90,854	155
C500007400	Nov 12, 2021	Oct 16 – Nov 5	87,480	458	87,938	4,397	92,335	174
C500007552	Dec 21, 2021	Nov 6 – Dec 10	92,880	763	93,643	4,682	98,325	167
C500007601	Jan 11, 2022	Dec 11 – Dec 31	43,950	153	44,103	2,205	46,308	80
C500007726	Feb 09, 2022	Jan 1 – Feb 4	110,577	626	111,203	5,560	116,763	178
C500007767	Feb 23, 2022	Feb 5 – Feb 18	44,730	316	45,046	2,253	47,299	73
C500007846	Mar 16, 2022	Feb 19 – Mar 11	75,292	324	75,616	3,781	79,397	124
C500007932	Apr 14, 2022	Mar 12 – Apr 8	136,820	666	137,486	6,874	144,360	222
C500008032	May 12, 2022	Apr 9 – Apr 29	104,066	167	104,233	5,211	109,444	168
C500008183	Jun 16, 2022	Apr 30 – Jun 10	94,618	500	95,118	4,756	99,874	151
C500008288	Jul 13, 2022	Jun 11 – Jul 1	25,555	333	25,888	1,294	27,182	40
C500008389	Aug 17, 2022	Jul 2 – Aug 12	84,651	333	84,984	4,249	89,233	135
C500008478	Sep 20, 2022	Aug 13 – Sep 16	64,353	333	64,686	3,235	67,921	108
C500008540	Oct 13, 2022	Sep 17 – Oct 7	58,073	333	58,406	2,920	61,326	93
			<b>1,109,115</b>	<b>5,763</b>	<b>1,114,878</b>	<b>55,743</b>	<b>1,170,621</b>	<b>1,868</b>

104. From September 25, 2021 to October 7, 2022 the Monitor incurred approximately 1,868 hours and billed fees and disbursements of \$1,114,878 (exclusive of GST). The activities of the Monitor during this period are documented in the reports that the Monitor has provided to this Honourable Court throughout these CCAA proceedings.
105. The work completed by the Monitor was delegated to the appropriate professionals in the Monitor's organization based on seniority and hourly rates. The Monitor's fees are consistent with the fees charged by similar firms in British Columbia with the capacity to handle a file of comparable size and complexity.
106. The fees and disbursements of the Monitor's Counsel from October 1, 2021 to September 30, 2022 are detailed Exhibit "A" and Exhibit "B" of the Third Affidavit of Ashley Taylor filed with this Honourable Court on October 27, 2022. The table below provides a summary of the Monitor's Counsel's fees for this period:

<b>Stikeman Elliott LLP</b>								
<b>Invoice No.</b>	<b>Date</b>	<b>Period Covered</b>	<b>Fees</b>	<b>Expenses</b>	<b>Subtotal</b>	<b>Taxes</b>	<b>Total</b>	<b>Hours</b>
5937529	Nov 5, 2021	Oct 1 – Oct 31	38,129	271	38,400	6014	44,414	47
5946143	Dec 9, 2021	Nov 1 – Nov 30	17,226	2	17,228	2,584	19,812	23
5953446	Jan 11, 2022	Dec 1 – Dec 31	9,180	-	9,180	1,378	10,558	10
5961088	Mar 22, 2022	Jan 1 – Feb 28	13,840	65	13,905	2,086	15,991	16
5977925	Apr 13, 2022	Mar 1 – Mar 31	49,467	26	49,493	7,460	56,953	65
5982820	May 5, 2022	Apr 1 – Apr 30	60,131	58	60,189	9,065	69,254	72
5990564	Jun 10, 2022	May 1 – May 31	19,225	-	19,225	2,898	22,123	22
6003374	Aug 4, 2022	Jun 1 – Jul 31	20,146	-	2,0146	3,022	23,168	25
6015955	Oct 4, 2022	Aug 1 – Sep 30	10,712	-	10,712	1,607	12,319	14
			<b>238,056</b>	<b>422</b>	<b>238,478</b>	<b>36,114</b>	<b>\$274,592</b>	<b>294</b>

107. During this period, the Monitor's Counsel billed approximately 294 hours, representing fees and disbursements of approximately \$238,478 (exclusive of GST and PST). The Monitor has reviewed all accounts rendered by the Monitor's Counsel in this period and confirms that all services described in the accounts of

the Monitor's Counsel were rendered to the Monitor by the Monitor's Counsel, and that the Monitor believes that all charges in the accounts are fair, reasonable and consistent with the market for such legal services in British Columbia.

108. The Monitor requests this Honourable Court's approval of the fees and disbursements of the Monitor and the Monitor's Counsel, as described in this Eleventh Report.

### **REQUEST FOR AN EXTENSION OF THE STAY PERIOD**

109. As detailed in the Petitioners' Application, the Petitioners have sought an extension of the Stay Period until and including, April 30, 2023.

110. The Monitor has considered the requested extension of the Stay Period having regard to:

- a) the circumstances that justify the granting of the Eighth Stay Extension;
- b) the good faith efforts of the Petitioners to effect the restructuring; and
- c) the due diligence with which the Petitioners are advancing their restructuring.

### **Circumstances that Justify the Eighth Stay Extension**

111. In the Monitor's view, the requested extension of the Stay Period is reasonable in the circumstances as it will allow for:

- a) continued maintenance of the Mill and repairs to be made to the Mill and the nurseries with respect to the impacts of Hurricane Fiona;

- b) the Petitioners to continue to work with the Monitor, the ELC, the Province, NSECC, the EA Consultant, the PLFN, and various other stakeholders to progress the EA process and to find a solution to build an innovative and environmentally sound Mill; and
  - c) the Mediator, the Petitioners, the Province and other Mediation Parties, as necessary, to take steps to progress the Mediation.
112. As described earlier in this Eleventh Report, should the Mediation not make reasonable progress or should the Pause be lifted and litigation commence prior to the end of the proposed Stay Period, the Mediation Parties may be required to return to Court to seek directions.
113. As described in the Eleventh Report Forecast, the Petitioners have the financial resources available to maintain their operations and activities through the proposed Stay Period.

#### Good Faith Efforts and Due Diligence

114. During the most recent Stay Period, in the Monitor's view, the Petitioners have been working in good faith and with due diligence to advance their restructuring and the objective of restarting the Mill. As demonstrated by the activities undertaken by the Petitioners described in this Eleventh Report, the Monitor believes that the Petitioners remain committed to pursuing a process whereby a transformed Mill operation may restart in the future.
115. The Monitor is further of the view that continuing the Mediation is an important step towards resolving various gating issues between the Mediation Parties before a

Mill restart can occur and it appears at this time that the Mediation Parties remain committed to acting good faith as part of the Mediation Process to determine whether an acceptable consensual resolution can be achieved.

#### **MONITOR'S RECOMMENDATIONS**

116. Based on the foregoing, the Monitor recommends that this Honourable Court grant the requested Order(s):

- a) extending the Stay Period from October 31, 2022 up to, and including, April 30, 2023, or such other period as this Honourable Court deems appropriate;
- b) approving the proposed amendments to the extend the dates in milestones 1, 2 and 3 and the maturity date in the IFF Term Sheet to April 30, 2023;
- c) approving the proposed amendments to extend the maturity date in the SIFF Term Sheet to April 30, 2023;
- d) authorizing advances from the IFF totalling \$7,000,000;

117. The Monitor also requests this Honourable Court grant the Monitor's requested Order:

- a) approving the fees and disbursements of the Monitor for the period from September 25, 2021 to October 7, 2022, and the Monitor's Counsel for the period from October 1, 2021 to September 30, 2022; and
- b) approving the activities of the Monitor to date as described in the Ninth, Tenth and Eleventh Reports.

All of which is respectfully submitted this 27<sup>th</sup> day of October, 2022.

**ERNST & YOUNG INC.**

in its capacity as Monitor of the Petitioners and not in its personal capacity

Per:

A handwritten signature in blue ink, appearing to read "Holly Palmer", with a stylized flourish at the end.

**Holly Palmer, CIRP, LIT**  
**Senior Vice President**

# Appendix A

Appendix "A" to the Tenth Report of the Monitor  
Northern Pulp Nova Scotia Corporation et al.  
April 1, 2022 to September 30, 2022

Category	Activities Completed	Description	Budgeted Cost of Activity	Actual Spend (Agreed to Banking - Sept 30, 2022)	Variance
Mill Operations	Landfill Capping	Capping the landfill	115,000	18,627	96,373
Mill Operations	Buy Electricity	Purchase of electricity for the Mill	331,200	200,000	131,200
Mill Operations	Other Maintenance Costs	Contingency amount for unforeseen maintenance costs	97,750	72,731	25,019
Mill Operations	Hibernation of Boilers	Purchase of gas to ensure boilers do not corrode	62,100	75,760	(13,660)
Mill Operations	Industrial Cleaning	Tank cleaning and wood yard vacuum work	69,000	-	69,000
Mill Operations	Washrooms	portable washrooms	52,900	23,570	29,330
Mill Operations	Snow Clearing	Removal of snow	5,750	31,378	(25,628)
Mill Operations	Manlift and Elevator Monthly inspections	Elevator safety inspections	44,850	48,077	(3,227)
Mill Wastewater	Waste Water (WW) Treatment	All waste water is now treated offsite	758,241	426,321	331,920
Mill Wastewater	Effluent Testing	Testing required by Ministerial Order	34,500	17,814	16,686
Mill Wastewater	GW / SW Testing - Mill Site	Testing required by Ministerial Order	17,423	20,176	(2,753)
Environmental Assessment	EARD and Terms of Reference	Environmental assessment process	-	111,913	(111,913)
Environmental Assessment	Marine Geotech	Environmental assessment process	-	-	-
Environmental Assessment	ETF Detailed Design Engineering	Environmental assessment process	17,250	-	17,250
Environmental Assessment	Marine Pipeline Design	Environmental assessment process	34,500	-	34,500
Environmental Assessment	Receiving Water Study (RWS)	Environmental assessment process	218,500	134,845	83,655
Environmental Assessment	Effluent Characterization	Environmental assessment process	23,000	8,036	14,964
Environmental Assessment	Flora/Fauna Studies	Environmental assessment process	5,175	8,347	(3,172)
Environmental Assessment	HHRA	Environmental assessment process	23,000	14,073	8,927
Environmental Assessment	GIS Support	Environmental assessment process	23,000	22,553	447
Environmental Assessment	Marine Fish & Fish Habitat	Environmental assessment process	230,000	298,141	(68,141)
Environmental Assessment	Freshwater Fish & Fish Habitat	Environmental assessment process	23,000	13,382	9,618
Environmental Assessment	Permits/Authorizations	Environmental assessment process	12,650	-	12,650
Environmental Assessment	Socio-economics	Environmental assessment process	40,250	-	40,250
Environmental Assessment	Landscape & Visual	Environmental assessment process	19,550	23,621	(4,071)
Environmental Assessment	Meetings with Regulatory Agencies	Environmental assessment process	20,125	-	20,125
Environmental Assessment	Project Management	Environmental assessment process	115,000	134,520	(19,520)
Environmental Assessment	Contingency - 10% / 20%	Environmental assessment process	152,375	58	152,318
HR	Security	Other HR Costs	117,300	134,085	(16,785)
HR	Janitorial	Other HR Costs	22,770	-	22,770
HR	Pension	Other HR Costs	17,250	16,869	381
HR	training	Other HR Costs	6,900	-	6,900
HR	Food Purchases	Other HR Costs	10,350	-	10,350
HR	Misc expense	Other HR Costs	6,900	1,629	5,271
HR	Events	Other HR Costs	6,900	-	6,900
HR	Travel	Other HR Costs	3,450	3,547	(97)
HR	Memberships & Dues	Other HR Costs	2,875	1,486	1,389
HR	Hourly Severance	Salary and Benefits (SIFF)	47,336	44,721	2,614
HR	Salary Continuance	Salary and Benefits (SIFF)	2,803	2,814	(12)
HR	Salary Payroll	Salary and Benefits (IFF)	505,518	509,197	(3,679)
HR	Benefits (retire)	Salary and Benefits (SIFF)	300,000	228,764	71,236
HR	Hourly Payroll	Salary and Benefits (IFF)	97,205	85,075	12,130
HR	Benefits (Active)	Salary and Benefits (IFF)	70,128	74,598	(4,470)
HR	Retiree pay	Salary and Benefits (SIFF)	29,467	32,485	(3,018)
HR	Salary EA Comm	Salary and Benefits (IFF)	126,379	-	126,379
HR	KERP	KERP	68,750	64,464	4,287
HR	Performance Bonus	Salary and Benefits (IFF)	-	90,203	(90,203)
Finance	SSQ Insurance (Travel Accident) (May to April)	Insurance	863	-	863
Finance	AON (Property) (Jun to Jun)	Insurance	1,035,000	711,966	323,034
Finance	Cell	Telephones	36,225	35,355	870
Finance	Pension Audits	Audits	5,750	14,375	(8,625)
Finance	PE Management Fee	PEC Management Fee	1,035,000	1,473,825	(438,825)
Finance	Mill Prop Tax	Property Tax	167,500	96,943	70,557
Administration	Professional Fees	McCarthy Tetrault	1,322,500	641,654	680,846
Administration	Professional Fees	Ernst & Young	1,035,000	596,791	438,209
Administration	Professional Fees	Stikeman Elliott	862,500	187,490	675,010
Administration	Professional Fees	McInnes Cooper	948,750	860,364	88,386
Administration	Professional Fees	Merrick Jamieson	69,000	-	69,000
Administration	Professional Fees	Dale Patterson	138,000	139,931	(1,931)
Administration	Professional Fees	Osler	69,000	-	69,000
Administration	Professional Fees	Iris Comms	-	145,605	(145,605)
Administration	Professional Fees	Environmental Assessment Communications Team	524,400	-	524,400
Administration	Professional Fees	Legal - Alternative Dispute Resolution / Litigation	488,750	261,089	227,661
Administration	Professional Fees	Other	207,000	124,916	82,084
Administration	Professional Fees	Hotels	-	86,201	(86,201)
Administration	Travel	Other Miscellaneous	69,000	-	69,000
Administration	Travel	Other Miscellaneous	69,000	-	69,000
Administration	Other Costs	Other Miscellaneous	138,000	84,805	53,195
Woodlands	Total Woodlands Expense (Income)	Woodlots	146,364	(894,076)	1,040,440
Other Disbursements	Contingency on face of cash flow	Contingency amount for unforeseen costs	300,000	-	300,000
Other Receipts	HST recoverable and CEWS and other	Other receipts	(792,882)	(1,174,824)	381,942
			<b>11,863,089</b>	<b>6,386,289</b>	<b>5,476,800</b>
		Less: Activities funded through the Subordinated DIP Facility	379,605	308,785	70,820
		<b>AMENDED DIP BUDGET – Adjusted for pre-filing employee obligations</b>	<b>11,483,484</b>	<b>6,077,504</b>	<b>5,405,980</b>

**Cash flow summary – Cash on Hand and DIP**

Bank Account Balance April 1, 2022 per bank	6,788,556
Net Cash Flow April 1, 2022 to Sept 30, 2022	(6,077,504)
DIP Draw	3,000,000
<b>Ending Balance Sept 30, 2022</b>	<b>3,711,052</b>

**Cash flow summary – Subordinated DIP Facility**

Bank Account Balance April 1, 2022 per bank	464,672
SIFF DIP Draw	-
Net Cash Flow April 1, 2022 to Sept 30, 2022	(308,785)
Other account activity	2,359
<b>Ending Balance Sept 30, 2022</b>	<b>158,246</b>

**Notes**

Cash flows are reported excluding inter-account activity and reversed transactions

<b>Total Ending Cash Balance Sept 30, 2022</b>	<b>3,869,298</b>
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# Appendix B

Appendix "B" to the Eleventh Report  
Northern Pulp Group of Companies  
CCAA Cash Flow Forecast  
For the Period October 1st, 2022 to April 30th, 2023

All figures in Canadian dollars

Month	October 2022	November 2022	December 2022	January 2023	February 2023	March 2023	April 2023	Forecast Total
Beginning Cash	3,711,052	2,603,254	6,388,847	4,226,680	2,278,845	6,656,448	4,692,340	3,711,052
<b>Receipts</b>								
Woodlands Collections	860,906	397,556	572,556	526,969	526,969	526,160	88,333	3,499,449
Other AR Collections	-	-	-	-	-	-	-	-
HST	133,522	65,809	124,490	182,506	170,381	114,329	143,620	934,657
<b>Total Collections</b>	<b>994,428</b>	<b>463,365</b>	<b>697,046</b>	<b>709,475</b>	<b>697,350</b>	<b>640,488</b>	<b>231,953</b>	<b>4,434,106</b>
<b>Operating Disbursements</b>								
Utilities	55,200	55,200	55,200	55,200	55,200	55,200	55,200	386,400
Finance Costs - Property Taxes / Insurance	172,215	4,715	4,715	4,715	4,715	4,715	172,215	368,005
Mill Closure Activities	43,700	82,800	60,950	60,950	60,950	55,200	55,200	419,750
Waste Water Disposal	123,890	49,910	55,718	58,765	49,910	71,990	144,038	554,220
Environmental Assessment	255,530	1,052,480	659,698	624,910	655,270	751,410	719,785	4,719,083
Non-restructuring Professional Fees	349,600	365,700	365,700	394,450	394,450	394,450	394,450	2,658,800
Hurricane Fiona - Clean Up & Safety Repair	-	143,750	115,000	345,000	143,750	-	143,750	891,250
Hurricane Fiona - Nursery Rebuild	-	143,750	345,000	345,000	143,750	-	143,750	1,121,250
Salary and Benefits & HR Costs	175,349	193,587	183,038	165,346	171,100	165,346	199,918	1,253,684
PEC Administrative Services	172,500	172,500	172,500	178,250	178,250	178,250	178,250	1,230,500
Wood Costs	529,443	188,580	593,894	199,925	237,602	703,236	474,109	2,926,789
Miscellaneous Expenditures	25,300	25,300	25,300	25,300	25,300	25,300	25,300	177,100
Contingency	50,000	50,000	50,000	50,000	50,000	50,000	50,000	350,000
<b>Total Operating Disbursements</b>	<b>1,952,727</b>	<b>2,528,272</b>	<b>2,686,713</b>	<b>2,507,811</b>	<b>2,170,247</b>	<b>2,455,096</b>	<b>2,755,965</b>	<b>17,056,830</b>
<b>NET OPERATING CASH FLOW</b>	<b>(958,298)</b>	<b>(2,064,907)</b>	<b>(1,989,666)</b>	<b>(1,798,335)</b>	<b>(1,472,897)</b>	<b>(1,814,608)</b>	<b>(2,524,012)</b>	<b>(12,622,724)</b>
<b>Restructuring Disbursements</b>								
DIP Lender cost								
- Interest	-	-	-	-	-	-	-	-
- Fees	-	-	-	-	-	-	-	-
- KERP	-	-	-	-	-	-	-	-
Professional Fees - Restructuring	(149,500)	(149,500)	(172,500)	(149,500)	(149,500)	(149,500)	(149,500)	(1,069,500)
<b>Total Restructuring Disbursements</b>	<b>(149,500)</b>	<b>(149,500)</b>	<b>(172,500)</b>	<b>(149,500)</b>	<b>(149,500)</b>	<b>(149,500)</b>	<b>(149,500)</b>	<b>(1,069,500)</b>
<b>NET MONTHLY CASH FLOW</b>	<b>(1,107,798)</b>	<b>(2,214,407)</b>	<b>(2,162,166)</b>	<b>(1,947,835)</b>	<b>(1,622,397)</b>	<b>(1,964,108)</b>	<b>(2,673,512)</b>	<b>(13,692,224)</b>
Ending Cash Balance	2,603,254	388,847	4,226,680	2,278,845	656,448	4,692,340	2,018,828	(9,981,172)
DIP DRAW		6,000,000			6,000,000			12,000,000
Ending cash after DIP	2,603,254	6,388,847	4,226,680	2,278,845	6,656,448	4,692,340	2,018,828	2,018,828

This budget excludes all cost of disposal of the ASB Solids. Discussion with NS Gov have them taking over the responsibility of this process

All figures in Canadian dollars

Month	October 2022	November 2022	December 2022	January 2023	February 2023	March 2023	April 2023	Forecast Total
Beginning Cash	158,246	103,335	45,424	487,513	429,602	371,690	313,779	158,246
<b>Operating Disbursements</b>								
Pension Funding	-	-	-	-	-	-	-	-
Severance and Salary Continuation	54,911	57,911	57,911	57,911	57,911	57,911	57,911	402,378
<b>Total Operating Disbursements</b>	<b>54,911</b>	<b>57,911</b>	<b>57,911</b>	<b>57,911</b>	<b>57,911</b>	<b>57,911</b>	<b>57,911</b>	<b>402,378</b>
<b>NET OPERATING CASH FLOW</b>	<b>(54,911)</b>	<b>(57,911)</b>	<b>(57,911)</b>	<b>(57,911)</b>	<b>(57,911)</b>	<b>(57,911)</b>	<b>(57,911)</b>	<b>(402,378)</b>
<b>Restructuring Disbursements</b>								
DIP Lender cost								
- Interest	-	-	-	-	-	-	-	-
- Fees	-	-	-	-	-	-	-	-
<b>Total Restructuring Disbursements</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET WEEKLY CASH FLOW</b>	<b>(54,911)</b>	<b>(57,911)</b>	<b>(57,911)</b>	<b>(57,911)</b>	<b>(57,911)</b>	<b>(57,911)</b>	<b>(57,911)</b>	<b>(402,378)</b>
Ending Cash Balance	103,335	45,424	(12,487)	429,602	371,690	313,779	255,868	(244,132)
DIP DRAW	-		500,000					500,000
Ending cash after DIP	103,335	45,424	487,513	429,602	371,690	313,779	255,868	255,868