

Court File No.: 20-00647824-00CL

HEMATITE GROUP

**ADDENDUM TO THE THIRD REPORT
OF KPMG INC., IN ITS CAPACITY AS
MONITOR**

December 10, 2020

LIST OF APPENDICES

APPENDIX A – THIRD REPORT OF THE MONITOR (WITHOUT APPENDICES)

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

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

**AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF
HEMATITE HOLDINGS INC., HEMATITE MANUFACTURING INC.,
HEMATITE INDUSTRIAL PRODUCTS INC., CANADIAN PAVACO INC.,
PAVACO HOLDINGS U.S. INC., HEMATITE, INC. AND
HEMATITE AUTOMOTIVE PRODUCTS INC.
(collectively "Hematite Group")**

Applicants

**ADDENDUM TO THE THIRD REPORT OF KPMG INC.
In its capacity as Monitor of the Applicants**

December 10, 2020

I. INTRODUCTION

1. This report is an addendum to the third report of KPMG Inc. in its capacity as monitor of the Applicants dated November 16, 2020 (the “**Third Report**”). This addendum to the Third Report (the “**Addendum to the Third Report**”) adopts the definitions contained in the Third Report.

II. PURPOSE OF ADDENDUM TO THE THIRD REPORT

2. The purpose of this Addendum to the Third Report is to provide holders of Affected Claims with updated information in respect of the estimated recoveries on Affected Claims, since the date of the Third Report, and in advance of the Meeting, which is scheduled to occur on December 11, 2020 at 11:00am [Toronto Time].

III. UPDATE ON ESTIMATED RECOVERIES ON AFFECTED CLAIMS

3. Since the date of the Third Report, the Monitor has received an additional 5 Claims in the amount of approximately \$5.6 million in aggregate (the “**Additional Late Claims**”).
4. As at the date of this Addendum to the Third Report, the Monitor has adjudicated the majority of Claims received, however the 10-day dispute period has not yet lapsed on several material Claims disallowed or revised by the Monitor. As a result, as at the date of this Addendum to the Third Report, Unresolved Claims are approximately \$12.7 million in aggregate, and the Monitor provisionally estimates that the aggregate Claims of Affected Creditors may be approximately \$7.9 million, as summarized below:

CLAIMS FILED - ESTIMATED AFFECTED CLAIMS		
<i>As at the date of this Addendum to the Third Report</i>		
Claims Status	#	Amount
Resolved Affected Claims ⁽¹⁾	129	\$ 7,869,381
Unresolved Affected Claims ⁽²⁾	30	\$ 12,733,212
Estimated Affected Claims	159	20,602,593
Less: Actual Convenience Creditor Claims ⁽³⁾	97	(915,225)
Estimated Affected Claims (excluding Convenience Creditors)	62	\$ 19,687,368
Creditor Distribution Pool		\$ 5,500,000
Less: Estimated Convenience Creditor Distributions ⁽³⁾		(468,314)
Remaining Creditor Distribution Pool		5,031,686
% Recovery on Estimated Affected Claims ⁽⁴⁾		26%
Notes		
1 Includes i) Claims that have been allowed by the Monitor, and ii) Claims for which the Monitor has issued a Notice of Disallowance or Revision, and the 10 day dispute period has elapsed.		
2 Includes i) Claims for which the Monitor has issued a Notice of Disallowance or Revision, and the 10 day dispute period has yet to elapse, and ii) Claims that the Monitor is in the process of reviewing.		
3 Includes i) all Affected Creditors with Claims less than the Election Amount (\$10k), and ii) claimants with Claims in excess of the Election Amount who elected to be a Convenience Creditor.		
4 Figures above include Additional Late Claims (5 claims in the amount of \$5.6M). Should these Additional Late Claims ultimately not be included in the Claims Procedure, the percentage recovery on Estimated Affected Claims would be approximately 36%.		

5. Assuming the foregoing, this would result in an estimated recovery on Claims filed, before the consideration of the Unresolved Claims Reserve, of 26% on a preliminary basis.
6. The Monitor is of the view that it is appropriate to admit these Additional Late Claims into the Claims Procedure for review and adjudication considering that Claimants have each provided a reasonable basis for late filing. The Monitor understands that the Applicants and the Plan Sponsor are also supportive of admitting these Additional Late Claims into the Claims Procedure, and that the Company intends to seek approval from the Court at the Sanction Hearing in order to do so.
7. Should the Additional Late Claims not be included in the Claims Procedure, this would result in an estimated recovery on Claims filed, before the consideration of the Unresolved Claims Reserve, of 36% on a preliminary basis.
8. As noted in the Third Report, at the Effective Time, all Affected Claims are released, discharged and barred in accordance with the Plan.

All of which is respectfully submitted this 10th day of December, 2020.

KPMG Inc.
In its capacity as Monitor of
Hematite Group
And not in its personal or corporate capacity

Per:



Katherine Forbes
CPA, CA, CIRP, LIT
Senior Vice President



George Bourikas
CIRP, LIT
Vice President

APPENDIX A – THIRD REPORT OF THE MONITOR

Court File No.: 20-00647824-00CL

HEMATITE GROUP

**THIRD REPORT OF KPMG INC.,
IN ITS CAPACITY AS MONITOR**

November 16, 2020

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**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

**IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,
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(collectively "Hematite Group")**

Applicants

**THIRD REPORT OF KPMG INC.
In its capacity as Monitor of the Applicants**

November 16, 2020

I. INTRODUCTION

1. On September 18, 2020 (the “**Filing Date**”), Hematite Holdings Inc. (“**Hematite Holdings**”) and the other Applicants (together, “**Hematite**”, the “**Company**” or the “**Applicants**”) were granted relief under the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”) by Order (the “**Initial Order**”) of the Ontario Superior Court of Justice (Commercial List) (the “**Court**”). The relief granted under the Initial Order included: a stay of proceedings in favour of the Applicants and a limited stay of proceedings in favour of their affiliate Hematite R.E. 1, Inc. for cross-defaults, from September 18, 2020 until September 28, 2020 (the “**Stay Period**”); the appointment of KPMG Inc. as Monitor (“**KPMG**” or the “**Monitor**”); and other related relief. The Applicants’ CCAA proceedings are referred to herein as the “**CCAA Proceedings**”.
2. On September 28, 2020, the Hematite Group was granted additional relief under the CCAA by Order (the “**Amended and Restated Initial Order**”) of the Court. The relief granted under the Amended and Restated Initial Order included, among other items, an extension of the Stay Period to November 27, 2020 and an increase in the maximum borrowings permitted under the DIP Loan Agreement and secured under the DIP Lender’s Charge to \$6.0 million (each as defined in the Amended and Restated Initial Order).
3. In support of the Amended and Restated Initial Order, KPMG in its capacity as Monitor, filed a report with the Court dated September 25, 2020 (the “**First Report**”), a copy of which is attached hereto as **Appendix “A”**.
4. On September 23, 2020, the United States Bankruptcy Court for the District of Delaware (the “**U.S. Court**”) issued an Order, among other things, provisionally recognizing the CCAA Proceedings as “foreign main proceedings” and provisionally recognizing and enforcing the Initial Order in the United States pursuant to Chapter 15 of Title 11 of the United States Code (the “**Bankruptcy Code**”) (being the “**Chapter 15 Proceedings**”). On October 1, 2020, the U.S. Court issued an Order, among other things, recognizing and enforcing the Amended and Restated Initial Order in the United States.

5. On October 13, 2020, the Court granted an Order (the “**Claims Procedure Order**”) approving the Claims Procedure (as defined herein), including the establishment of a claims bar date for creditors to file proofs of claim in the CCAA Proceedings. A copy of the Claims Procedure Order is attached hereto as **Appendix “B”**.
6. In support of the Claims Procedure Order, KPMG in its capacity as Monitor, filed a report with the Court dated October 9, 2020 (the “**Second Report**”), a copy of which is attached here to as **Appendix “C”**.

II. PURPOSE OF REPORT

7. The purpose of this report (the “**Third Report**”) is to provide information to this Honourable Court pertaining to:
 - (a) the activities of the Applicants since the Filing Date;
 - (b) the activities of the Monitor since the date of the First Report;
 - (c) the Applicants’ reported cash flow results for the period from September 14 to October 30, 2020, including a comparison to the Cash Flow Forecast (as hereinafter defined);
 - (d) the Applicants’ revised cash flow forecast for the period from November 1, 2020 to January 1, 2021;
 - (e) the Applicants’ request for a further extension of the Stay Period through to December 31, 2020;
 - (f) the Claims Procedure and status of the claims received to date;
 - (g) the status of the Chapter 15 Proceedings;
 - (h) the Applicants’ request for an Order (the “**Flow-Through Payments Order**”) authorizing them to pay certain Flow-Through Payments (as hereinafter defined) received from customers to tooling suppliers;

- (i) the Applicants' request for an Order authorizing them to continue making certain Equipment Payments (as hereinafter defined) with respect to equipment that is used in their operations;
- (j) the plan of compromise, arrangement and reorganization of the Applicants under the CCAA and the *Business Corporations Act* (Ontario) to be dated November 18, 2020 (the "**Plan**");
- (k) the Applicants' request for an Order (the "**Meeting Order**"), *inter alia*:
 - (i) accepting the filing of the Plan;
 - (ii) authorizing the Monitor to admit the Late Claims (defined below) into the Claims Procedure;
 - (iii) approving, pursuant to section 22 of the CCAA, the classification of creditors as set out in the Plan;
 - (iv) authorizing and directing the Applicants to call, hold and conduct a meeting of Affected Creditors (the "**Meeting**") to vote on the Plan;
 - (v) authorizing and directing the mailing and distribution of certain meeting materials and other procedures to be followed to provide notice of the Meeting;
 - (vi) approving the procedures to be followed at the Meeting, including voting procedures;
 - (vii) setting a date for the hearing of the Applicants' motion for an order (the "**Sanction Order**") approving the Plan (the "**Sanction Hearing**"); and
 - (viii) sealing **Confidential Appendix "1"** of this Third Report.

III. TERMS OF REFERENCE

8. The Third Report should be read in conjunction with the Affidavit of Jacques Nadeau sworn November 11, 2020 (the “**November Nadeau Affidavit**”) filed by the Applicants in support of the motion returnable November 18, 2020 (the “**November 18 Motion**”), as certain information contained in the November Nadeau Affidavit has not been included herein in order to avoid unnecessary duplication.
9. In preparing this Third Report, the Monitor has relied solely on information and documents provided by the Applicants and their advisors, including unaudited financial information, books and records (the “**Books and Records**”) and financial information prepared by the Applicants and discussions with management (“**Management**”) (collectively, the “**Information**”). In accordance with industry practice, except as otherwise described in this Third Report, KPMG 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 the Information in a manner that would wholly or partially comply with Generally Accepted Auditing Standards (“**GAAS**”) pursuant to the *Chartered Professional Accountants of Canada Handbook* and, accordingly, the Monitor expresses no opinion or other form of assurance contemplated under GAAS in respect of the Information.
10. Future orientated financial information contained in any Cash Flow Forecast or other statement is based on the Applicants’ estimates and assumptions regarding future events. Actual results will vary from the information presented even if the hypothetical assumptions occur, and variations may be material. Accordingly, the Monitor expresses no assurance as to whether any Cash Flow Forecast or other projection will be achieved.
11. Unless otherwise stated, all monetary amounts noted herein are expressed in Canadian dollars.
12. Words and phrases not otherwise defined in this Third Report shall have the meaning ascribed to them in the November Nadeau Affidavit.

13. Copies of the Monitor’s prior reports, this Third Report, and all motion records and Orders in the CCAA Proceedings and the Chapter 15 Proceedings will be made available on the Monitor’s website at <http://www.home.kpmg/ca/en/home/services/advisory/deal-advisory/creditorlinks/hematite-group.html> (the “**Monitor’s Website**”). The Monitor has also established a toll-free phone number and an email that are referenced on the Monitor’s website so that parties may contact the Monitor if they have questions with respect to the CCAA Proceedings.

IV. THE COMPANY’S ACTIVITIES

14. The Company’s activities, since the Filing Date, have included:
- (a) continuing to operate and manage the business in the ordinary course in accordance with the Amended and Restated Initial Order;
 - (b) managing cash flow and making payments in accordance with the Amended and Restated Initial Order;
 - (c) requesting and obtaining advances under the DIP Facility;
 - (d) reporting cash receipts and disbursements, and variances to the Cash Flow Forecast, to the Monitor and Woodbridge Foam Corporation (“**Woodbridge**”), in its capacity as lender under the DIP Facility (the “**DIP Lender**”);
 - (e) meeting and communicating with the Hematite Group’s employees regarding the CCAA Proceedings;
 - (f) communicating with Hematite’s creditors, customers, key suppliers and other stakeholders on various matters in connection with the CCAA Proceedings;
 - (g) as detailed in the First Report, executing the services agreement between Woodbridge and Hematite dated September 18, 2020 (the “**Services Agreement**”);
 - (h) finalizing definitive documentation with The Toronto-Dominion Bank (“**TD**”) with respect to the arrangements made prior to the commencement of the CCAA

Proceedings whereby Woodbridge acquired part of the debt (the “**Assigned TD Loans**”) and all of the security of TD, other than in respect of certain equipment leases which would be unaffected in the CCAA Proceedings;

- (i) continuing its efforts to finalize definitive documentation with BDC Capital Inc. (“**BDC**”) with respect to the arrangements made prior to the commencement of the CCAA Proceedings whereby BDC would agree to forbear from enforcing its rights and, effective upon implementation of the Plan, will amend its credit agreement to convert its debt into a post-restructuring facility;
- (j) advancing the Claims Procedure in accordance with the procedures and timelines as set out in the Claims Procedure Order;
- (k) disclaiming seven (7) leases and other agreements pursuant to section 32 of the CCAA, and surrendering collateral pursuant to two (2) secured equipment financing agreements;
- (l) formulating the Plan;
- (m) preparing court materials, together with its counsel, the Monitor, and the Monitor’s counsel, in respect of the Amended and Restated Initial Order, the Claims Procedure Order, and the November 18 Motion; and
- (n) preparing court materials, together with its Canadian and U.S. counsel, Womble Bond Dickenson (US) LLP (“**WBD**”), in order to, among other things, obtain recognition of the CCAA Proceedings as “foreign main proceedings”, and recognition and enforcement of the Initial Order and Amended and Restated Initial Order, in the United States pursuant to Chapter 15 of the Bankruptcy Code.

V. **ACTIVITIES OF THE MONITOR**

15. Since the date of the First Report, the activities of the Monitor have included:

- (a) attending at Court via videoconference for hearing of the Applicants’ motions in respect of the Amended and Restated Initial Order and the Claims Procedure Order;

- (b) maintaining the Monitor’s Website, where all court materials and other relevant documents pertaining to the CCAA Proceedings and Chapter 15 Proceedings are available in electronic form;
- (c) responding to enquiries from creditors and other stakeholders in respect of the CCAA Proceedings;
- (d) monitoring the Company’s cash flow and variances to the Cash Flow Forecast, including assisting Hematite with its reporting to the DIP Lender pursuant to the DIP Loan Agreement;
- (e) assisting the Company in developing the Updated Cash Flow Forecast (as hereinafter defined);
- (f) reviewing and analyzing, in collaboration with Hematite, the Company’s arrangements with tooling suppliers and customers in connection with the Flow-Through Payments and other operational considerations;
- (g) in accordance with the Claims Procedure Order, and with the assistance of WBD:
 - (i) causing the Claims Package (as defined in the Second Report) to be sent to all known creditors on October 15, 2020;
 - (ii) publishing notices in *USA Today* (National Edition) and *Globe and Mail* (National Edition) on October 19 and October 20, 2020, respectively;
- (h) approving seven (7) disclaimers of leases and other agreements pursuant to section 32 of the CCAA, and sending Claims Packages in respect of potential Restructuring Claims;
- (i) reviewing and logging proofs of claim filed and corresponding with claimants, the Applicants, and Woodbridge, in its capacity as proposed plan sponsor pursuant to the Plan Sponsor Agreement (the “**Plan Sponsor**”), and their advisors in respect of same and the Claims Procedure generally;

- (j) sending 4 Notices of Revision or Disallowance, pursuant to the Claims Procedure Order (as discussed later in this Third Report);
- (k) assisting the Applicants and the Plan Sponsor in their development of the Plan;
- (l) communicating extensively with Management and the Applicants' legal counsel regarding, among other things, the Claims Procedure, liquidity matters, agreement disclaimers, operations, the Plan, and the CCAA Proceedings generally;
- (m) communicating with the Monitor's counsel, Gowling WLG (Canada) LLP, on various matters in respect of the CCAA Proceedings, including but not limited to the Flow-Through Payments, the disclaimer or termination of certain agreements, administration of the Claims Procedure, liquidity matters, discussions with key suppliers, and the Plan;
- (n) reviewing the Plan, and various other materials filed in support of the Claims Procedure Order and the November 18 Motion; and
- (o) preparing the Second Report and this Third Report.

VI. CASH FLOW FOR THE PERIOD SEPTEMBER 14 TO NOVEMBER 6, 2020

- 16. The Company's cash flow forecast for the period from September 14, 2020 to December 11, 2020 (the "**Cash Flow Forecast**") was filed with the Court in support of the Company's application for the Initial Order.
- 17. A comparison of Hematite's reported results to forecast for the period from September 14, 2020 to November 6, 2020 (the "**Period**") is summarized as follows:

Hematite Group			
Summary of Actual Receipts and Disbursements			
For the 8-week period ended November 6, 2020			
in \$CAD			
	Actual	Forecast	Variance
Cash Receipts			
Accounts Receivable	11,323,526	14,120,837	(2,797,311)
Other Receipts	1,093,877	-	1,093,877
Total Receipts	12,417,403	14,120,837	(1,703,434)
Cash Disbursements			
Inventory Purchases	9,967,965	7,981,318	(1,986,647)
Other Operating Expenses	1,075,345	1,327,272	251,928
Tooling Expense	755,089	300,000	(455,089)
Payroll and Benefits	3,252,791	3,354,252	101,461
Equipment and Auto leases	946,924	943,157	(3,767)
Tax Remittances	-	315,230	315,230
Capital Expenditures	214,537	771,350	556,813
Other Expenses	26,494	100,000	73,507
Interest	200,742	84,740	(116,002)
Professional fees	823,468	1,924,840	1,101,372
Total Disbursements	17,263,354	17,102,159	(161,195)
Net Cash Flow	(4,845,950)	(2,981,322)	(1,864,628)
Opening Cash	(229,180)	-	(229,180)
Net Cash Flow	(4,845,950)	(2,981,322)	(1,864,628)
Pre-filing Revolver Draw	933,969	875,587	58,382
DIP Loan Draw	4,717,105	6,000,000	(1,282,895)
Closing Cash	575,944	3,894,265	(3,318,321)
Opening DIP Loan Balance	-	-	-
DIP Draw	(4,717,105)	(6,000,000)	1,282,895
Closing DIP Loan Balance	(4,717,105)	(6,000,000)	(2,035,426)

18. As reflected in the summary table above, Hematite reported negative cash flow of approximately \$4.8 million during the Period and an outstanding amount under the DIP Facility of approximately \$4.7 million as at November 6, 2020. The Company's closing cash balance was approximately \$3.3 million lower than projected in the Cash Flow Forecast.
19. The net cash flow generated during the Period was approximately \$1.9 million lower than projected in the Cash Flow Forecast, the primary reasons for which are summarized below:
- (a) total cash receipts during the Period were approximately \$1.7 million lower than projected, mainly due to:

- (i) collections of the Company's existing accounts receivable were less than forecast by approximately \$0.8 million. Accounts receivable at the beginning of the Period was reconciled in order to ensure all cash collections were properly accounted for, however following the Filing Date the Company identified earlier collections which had been overlooked and as of yet unapplied in the Company's accounting system, overstating accounts receivable at the start of the Period by approximately \$0.8 million;
 - (ii) unfavourable timing difference of approximately \$1 million related to delayed accounts receivable collections of a major customer. The Monitor understands that Hematite has experienced delays in invoice processing and in providing the documentation required by the customer in order to reconcile account differences and issue payments in a timely manner. The Monitor further understands that Management is working to resolve these issues in order to collect the related accounts receivable that remains outstanding;
 - (iii) unfavourable timing differences on sales that were initially forecast to be collected in the Period (approximately \$1.4 million), but are now anticipated to be collected in November, consistent with the customer's payment terms; and partially offset by:
 - (iv) \$0.5 million favourable difference in collections due to sales which exceeded forecast in September and the first week of October; and
 - (v) Tooling Receipts (as hereinafter defined) of approximately \$0.7 million (of which \$0.4 million were received and 'flowed-through' to tooling suppliers prior to the Filing Date), and a Canada Emergency Wage Subsidy refund of approximately \$0.4 million, which were each not included in the Cash Flow Forecast.
- (b) The total cash disbursements during the Period were approximately \$0.2 million higher than projected, mainly due to:

- (i) lower than forecast professional fees payments of approximately \$1.1 million of which \$0.4 million is anticipated to be a permanent variance, as the DIP Lender has advised Hematite it intends to pay its advisors and legal counsel directly. The remaining favourable variance is anticipated to reverse in the coming weeks;
 - (ii) favourable timing difference in capital expenditures of approximately \$0.6 million as compared to the Cash Flow Forecast; partially offset by:
 - (iii) higher than forecast inventory purchases of approximately \$2 million to support higher than forecast sales in September, October and the first two weeks of November (increased sales over this period total approximately \$3 million).
20. Due to a combination of the above, the Company was in breach of certain financial covenants in its weekly reporting to the DIP Lender during the Period, as certain net cash flow variance limits were exceeded. The Monitor understands that the DIP Lender has issued a waiver letter in respect of existing defaults and that the DIP Facility is in good standing as at the date of this Third Report.

VII. HEMATITE’S REQUEST FOR AN EXTENSION OF THE STAY PERIOD

21. The current Stay Period expires on November 27, 2020. The Company is seeking a further extension of the Stay Period to December 31, 2020 (the “**Stay Extension**”), which is the deadline for implementation of the Plan pursuant to the Plan Sponsor Agreement.
22. The Company, with the assistance of the Monitor, has prepared an updated forecast of its cash receipts and disbursements for the period from November 7, 2020 through to January 1, 2021 (the “**Updated Cash Flow Forecast**”), a copy of which is attached hereto as **Appendix “D”**. The Updated Cash Flow Forecast is summarized as follows:

Hematite Group	
Weekly Cash Flow Forecast for the 8-week period November 7, 2020 to January 1, 2021 in \$CAD	
Total	
Cash Receipts	
Accounts Receivable	15,628,178
Other Receipts	35,000
Total Receipts	15,663,178
Cash Disbursements	
Inventory Purchases	6,223,243
Other Operating Expenses	1,728,420
Tooling Expense	378,938
Payroll and Benefits	3,575,534
Equipment and Auto leases	1,101,963
Tax Remittances	712,168
Capital Expenditures	1,779,615
Other Expenses	95,000
Interest	150,411
Professional fees	1,548,873
Total Disbursements	17,294,164
Net Cash Flow	(1,630,986)
Opening Cash	575,945
Net Cash Flow	(1,630,986)
DIP Loan Draw	1,282,895
Closing Cash	227,853
Opening DIP Loan Balance	(4,717,105)
DIP Draw	(1,282,895)
Closing DIP Loan Balance	(6,000,000)

23. The key changes in the underlying assumptions in the Updated Cash Flow Forecast as compared to the Cash Flow Forecast are summarized below:
- (a) updated projected timing and quantum of collections to more accurately reflect the payment terms of one of the Company's major customers, and remaining collections on sales that exceeded forecast through October 2020;
 - (b) increase in projected disbursements for higher variable costs (primarily inventory purchases, payroll, and other operating expenses) to support the Company's updated sales forecast for November 2020;
 - (c) increase in tooling-related disbursements of approximately \$0.4 million, including approximately \$0.2 million of Flow-Through Payments, subject to the Court granting the proposed Flow-Through Payment Order. The remaining \$0.2 million

relates to a post-filing tooling deposit which had not been included in the Cash Flow Forecast; and

- (d) reduction in professional fees as a result of the exclusion of the fees of the DIP Lender's advisors and legal counsel (approximately \$0.3 million in the Cash Flow Forecast) as the DIP Lender has advised Hematite it intends to pay these parties directly.
24. The Updated Cash Flow Forecast indicates that the Hematite Group is anticipated to have sufficient liquidity to fund both operating costs and the costs of the CCAA Proceedings through the Stay Period, should the Stay Extension be granted. The Monitor notes that the Updated Cash Flow Forecast is materially dependent upon the Company achieving the projected timing and amount of accounts receivable collections, and payments for inventory purchases. Inventory purchases are particularly driven by customer purchase orders as they are received.
25. The Monitor understands that the DIP Lender has approved the Updated Cash Flow Forecast.
26. The Monitor is of the view that the Stay Extension is appropriate in the circumstances, and supports Hematite's request for an extension of the Stay Period for the following reasons:
- (a) the Company has acted, and is continuing to act, in good faith and with due diligence and in accordance with the Amended and Restated Initial Order and the other Orders issued by the Court in the CCAA Proceedings;
 - (b) the Stay Extension is anticipated to allow the Company and the Plan Sponsor to satisfy the conditions precedent to the Plan (detailed later in this Third Report);
 - (c) the Stay Extension should not prejudice any employee or creditor, as the Updated Cash Flow Forecast indicates that Hematite is anticipated to have sufficient funds to pay for post-filing goods and services; and

- (d) the Monitor understands that Woodbridge, in its capacities as DIP Lender and proposed Plan Sponsor, is supportive of the Stay Extension, as it is necessary in order to achieve the timeline outlined in the Plan Sponsor Agreement.

VIII. CLAIMS PROCEDURE

Affected Claims Status

- 27. As noted earlier in this Third Report, the claims procedure was established pursuant to the Claims Procedure Order (the “**Claims Procedure**”) to facilitate the identification, quantification and resolution of certain Claims¹ of creditors of the Applicants and their respective directors and officers, including:
 - (a) Pre-Filing Claims (including D&O Claims other than D&O Restructuring Claims); and
 - (b) Restructuring Claims (including D&O Restructuring Claims) (each as defined in the Claims Procedure Order).
- 28. Also as previously noted in this Third Report, in accordance with the Claims Procedure Order:
 - (a) on October 15, 2020, the Claims Package was sent to all known creditors of the Hematite Group; and
 - (b) notices were published in *USA Today* (National Edition) and the *Globe and Mail* (National Edition) on October 19 and October 20, 2020, respectively.
- 29. Pursuant to the Claims Procedure Order, the claims bar date was 5:00 p.m. (Toronto Time) on November 9, 2020 with respect to the filing of any Pre-Filing Claims and D&O Claims (other than D&O Restructuring Claims) (the “**Pre-Filing Claims Bar Date**”).

¹ Capitalized terms used but not defined in this section of the Third Report shall have the meanings given to them in the Claims Procedure Order.

30. 162 Claims in the amount of approximately \$49.6 million in aggregate were filed prior to the Pre-Filing Claims Bar Date, summarized as follows:

SUMMARY OF CLAIMS FILED BEFORE THE PRE-FILING CLAIMS BAR DATE		
Claim Category ⁽¹⁾	Claims Filed	
	# ⁽¹⁾	Amount ⁽⁵⁾
Pre-Filing Claims ⁽²⁾	162	\$38,767,062
Pre-Filing D&O Claims ⁽³⁾	2	3,984,936
Restructuring Claims ⁽⁴⁾	19	6,897,462
Restructuring D&O Claims	-	-
Total Claims Filed ⁽¹⁾	162	\$49,649,460
Notes		
1 Certain Proofs of Claim included a combination of Pre-Filing Claims, Pre-Filing D&O Claims, and Restructuring Claims. For clarity, a total of 162 unique creditors filed claims.		
2 Three entities (including the Canada Revenue Agency) have filed placeholder claims (i.e. no amount included). Figures above do not include Pre-Filing Claims that were filed after the Pre-Filing Claims Bar Date.		
3 Includes one D&O Claim for \$3.98M and one claim from a former employee in relation to wrongful dismissal that included a placeholder D&O claim (i.e. no amount included).		
4 The 19 claimants who have filed a Restructuring Claim have also filed a Pre-Filing Claim (i.e. do not represent additional unique creditors).		
5 Amounts in CAD. All USD currency balances are converted to CAD using the September 18, 2020 spot rate of 1.3186.		

31. Also pursuant to the Claims Procedure Order, a claims bar date in respect of Restructuring Claims (the “**Restructuring Claims Bar Date**”) was set as the later of:
- the Pre-Filing Claims Bar Date; and
 - the date that is 21 days after the date on which the Monitor sends a Claims Package with respect to a Restructuring Claim.
32. As noted earlier in this Third Report, seven (7) agreement disclaimers were sent by the Company pursuant to section 32 of the CCAA. The last of these disclaimers was sent on November 13, 2020. The Monitor understands that the Applicants do not intend to disclaim any further agreements.
33. Based on the disclaimers sent by the Company, the Monitor anticipates receiving a further six (6) Restructuring Claims prior to the latest Restructuring Claims Bar Date, which will be December 4, 2020.

34. As at the date of this Third Report, the Monitor has received four (4) Pre-Filing Claims in the amount of approximately \$64,199 in aggregate after the Pre-Filing Claims Bar Date (the “**Late Claims**”). Three of the Late Claims were received by the Monitor on November 9, 2020 after 5:00 p.m. and one Late Claim was received by the Monitor on November 11, 2020. The Claims Procedure Order did not grant the Monitor discretion to extend the Pre-Filing Claims Bar Date to admit these Late Claims, or to extend the Restructuring Claims Bar Date.
35. The Monitor is of the view that it is appropriate to admit these Late Claims into the Claims Procedure for review and adjudication considering that: (i) they were received very shortly after the Pre-Filing Claims Bar Date; (ii) the quantum is modest; and (iii) the Applicants have not yet filed the Plan with the Court and obtained the Meeting Order. The Monitor understands that the Applicants and the Plan Sponsor are also supportive of admitting these Late Claims into the Claims Procedure.

Adjudication of Claims

36. Also, as at the date of this Third Report, the Monitor has provisionally adjudicated 22 Claims as follows:

SUMMARY OF CLAIMS ADJUDICATED		
<i>As at the date of this Third Report</i>		
Adjudication Status	# ⁽¹⁾	Amount
Fully Allowed	18	1,633,365
Partially Allowed ⁽²⁾	2	179,396
Partially Disallowed ⁽²⁾	2	15,126
Fully Disallowed ⁽²⁾	2	18,521
Yet to be Reviewed	144	47,867,733
Total	166	49,714,140
Notes		
1 Figures include the Late Claims.		
2 The Monitor has issued a total of four (4) Notices of Disallowance/Revision as at the date of this Third Report. The 10-day periods in which the claimants may file a Notice of Dispute in response to the Notice of Disallowance/Revision have not yet passed.		

37. The Monitor has yet to receive any Notices of Dispute as at the date of this Third Report.

38. The Monitor shall continue to review all Proofs of Claim filed, in consultation with the Applicants (and in the case of a D&O Claim, in consultation with the applicable Director or Officer), and shall accept, revise or disallow the amount of each Claim for voting and/or distribution purposes and shall deliver to the Claimant a Notice of Revision or Disallowance, substantially in the form attached as a schedule to the Claims Procedure Order. As discussed in a later section to this Third Report, the Monitor is in the process of reviewing claims received in the amount of approximately \$21 million which are anticipated to be disallowed.

Excluded Claims

Background

39. TD was Hematite’s primary operating lender prior to the commencement of the CCAA Proceedings. Hematite was in default of its credit agreement with TD at the Filing Date. The Monitor understands that prior to the Filing Date, Hematite and Woodbridge reached an agreement in principle with TD whereby Woodbridge would acquire a portion of the debt, and take assignment of all of TD’s security over certain of the Applicants’ property, excluding certain equipment leases which would be unaffected in the CCAA Proceedings. Definitive documentation with respect to these arrangements was entered into on September 21, 2020 (the “**TD Assignment and Assumption Agreement**”).
40. At the Filing Date, BDC and certain of the Applicants were party to a letter of offer of financing no. 076542-03 dated December 21, 2017, as amended, supplemented and otherwise modified from time to time (the “**BDC Loan**”). The Monitor understands that prior to the commencement of these proceedings, reached an agreement in principle with BDC, whereby BDC would agree to forbear from enforcing its rights and, effective upon implementation of the Plan, would amend its credit agreement to convert the BDC Loan into a post-restructuring facility. As discussed later in this Third Report, it is a condition precedent to implementation of the Plan that definitive documentation be entered into in respect of same.

41. The Monitor further understands that prior to the commencement of the CCAA Proceedings, Hematite and Woodbridge engaged in extensive discussions with Toyota Motor Engineering & Manufacturing North America Inc., FCA US LLC, or Ford Motor Company (and including each of their subsidiaries and affiliates, collectively, the “**Customers**”) and ultimately entered into customer support and consent agreements (the “**Customer Support Agreements**”) with each of the Customers whereby the Customers agreed to certain ongoing purchase commitments to support the ongoing operation of Hematite’s business during and following the CCAA Proceedings.

Excluded Claims

42. Pursuant to the Claims Procedure Order, Excluded Claims are as follows:
- (a) any claim pursuant to, or related to, the equipment leases with TD Equipment Finance Canada listed in Schedule “F” to the Claims Procedure Order (the “**TD Leases**”);
 - (b) any claim pursuant to, or related to, the BDC Loan;
 - (c) any claim by Woodbridge or its affiliates, including, without limitation, pursuant to, or related to:
 - (i) the Assignment and Assumption Agreement;
 - (ii) the Plan Sponsor Agreement; or
 - (iii) the DIP Loan Agreement;
 - (d) any claim by the Customers in relation to any warranty, recall, product liability or other obligations of the Applicants to the Customers pursuant to the purchase agreements, purchase orders, and/or other contracts set out in the Customer Support Agreements, as applicable;
 - (e) claims secured by any of the Charges (as defined in the Amended and Restated Initial Order);

- (f) any claim by any of the Applicants against one or more of the other Applicants; and
 - (g) any investigation, action, suit, order or proceeding in respect of the Applicants or any of them by or before a regulatory body (as defined in the CCAA), unless such investigation, action, suit, order or proceeding constitutes a “claim” within the meaning of the CCAA.
43. As outlined in the Second Report, Excluded Claims are unaffected by the Claims Procedure Order, and holders of said Claims were not required to file a proof of claim in the Claims Procedure. Accordingly, as discussed later in this Third Report, Excluded Claims will also be Unaffected Claims in the Plan.

IX. CHAPTER 15 PROCEEDINGS UPDATE

44. As further detailed in the November Nadeau Affidavit, on October 15, 2020, the U.S. Court issued an Order Granting Verified Petition for (i) Recognition of Foreign Main Proceeding, (ii) Recognition of Foreign Representative and (iii) Related Relief Under Chapter 15 of the Bankruptcy Code (the “**Final Recognition Order**”), without a hearing. A copy of the Final Recognition Order is attached as **Exhibit “D”** to the November Nadeau Affidavit.
45. Following the issuance of the Claims Procedure Order, Hematite filed a Notice of Entry by Canadian Court of Claims Procedure Order (the “**Chapter 15 Claims Procedure Notice**”) with the U.S. Court which, among other things, outlines the notice procedures and the claims bar dates established by the Claims Procedure Order. The Chapter 15 Claims Procedure Notice states that any claimant who files a proof of claim solely with the U.S. Court or in connection with the Chapter 15 Proceedings must refile such proof of claim in accordance with the provisions of the Claims Procedure Order. A copy of the Chapter 15 Claims Procedure Notice is as **Exhibit “E”** to the November Nadeau Affidavit.
46. Given the timing and the notice requirements under the Bankruptcy Code, the Applicants intend to seek recognition of the Meeting Order by the U.S. Court during the week of November 30, 2020, and seek recognition of the Sanction Order by the U.S. Court during the week of December 21, 2020 after the anticipated Sanction Hearing, all subject to applicable Orders of this Court.

47. Copies of the materials filed, and orders made, in the Chapter 15 Proceedings are available on the Monitor's Website.

X. THE FLOW-THROUGH PAYMENTS

48. As described in more detail in the November Nadeau Affidavit, Hematite manufactures component parts for its customers utilizing tooling that is unique to each component part and customer. Each component part is designed by the customer, manufactured by a tooling supplier, and supplied by the tooling supplier to Hematite for use in manufacturing.

49. Tooling suppliers invoice Hematite for the tooling. Once approved for production, Hematite invoices the tooling to the customer, and upon payment (each a "**Tooling Receipt**") title passes to the customer (but remains in Hematite's possession for use in manufacturing). The Monitor understands that, in the ordinary course, Hematite pays the tooling supplier when it receives the Tooling Receipt (the "**Flow-Through Payments**").

50. According to the Books and Records, as at the Filing Date, Hematite owed approximately \$6.9 million to tooling suppliers in respect of tooling ordered by customers and delivered to Hematite for use in manufacturing (the "**Tooling Claims**"), certain of which had been, or was subsequently invoiced to the applicable customer in the ordinary course.

51. The Monitor understands that Hematite has received approximately \$0.3 million in Tooling Receipts since the Filing Date, but pursuant to the Amended and Restated Initial Order, has not made any Flow-Through Payments to tooling suppliers.

52. Also as outlined in the November Nadeau Affidavit, both customers and tooling suppliers have expressed a desire for greater certainty that Flow-Through Payments will continue to be made, in accordance with the pre-existing arrangements described above.

53. The proposed Flow-Through Payment Order authorizes the Applicants to, among other things, make Flow-Through Payments (including the projected Flow-Through Payment in the amount of approximately \$0.2 million in the Updated Cash Flow Forecast) in respect of Tooling Receipts collected since the Filing Date, and any further Tooling Receipts collected, including as they related to Tooling Claims which existed at the Filing Date.

54. The Monitor further understands that, in respect of four contracts with tooling suppliers, the amounts invoiced or expected to be invoiced by the tooling supplier exceed the amounts that Hematite has received or expects to receive from the corresponding customer. Any Tooling Claims in relation to these contracts will be addressed in the Plan (as detailed later in this Third Report).
55. The Monitor is of the view that the Flow-Through Payment Order is appropriate in the circumstances, and supports Hematite's request to make Flow-Through Payments for the following reasons:
- (a) if Flow-Through Payments for Tooling Claims, including pre-filing Tooling Claims, are not made there is a risk of interruption of tooling supply and/or that Customers could seek to assert their ownership rights over unpaid tooling being used by the Applicants. Either result would be materially detrimental to the Applicants' business; and
 - (b) the Flow-Through Payment Order should not prejudice any employee or creditor, as the Monitor understands that, by definition, Flow-Through Payments are not anticipated to have a negative cash flow impact in the post-filing period. In this regard, the Monitor notes that the Flow-Through Payments were not included in the Applicants' Cash Flow Forecast.

XI. CONTINUATION OF EQUIPMENT PAYMENTS

56. As outlined in more detail in the November Nadeau Affidavit, the Applicants are party to various capital leases and secured loan agreements (the "**Equipment Agreements**") with lessors and secured creditors (each, an "**Equipment Creditor**") with respect to equipment that is used in their operations.
57. As a result of the importance of the equipment provided by the Equipment Creditors to Hematite's business, and the legal rights arising from the lease or purchase money security interests in respect of specific machinery pursuant to the Equipment Agreements, the Applicants have been making payments to certain of the Equipment Creditors since the Filing Date. In the circumstances and as detailed below, the Applicants are appropriately

seeking an exception to the Amended and Restate Initial Order provisions prohibiting payment of amounts owing on the Filing Date in order to authorize the payments that have been made to Equipment Creditors (which amount to approximately \$60,000) and the payments that may be made to Equipment Creditors as they become due during the remainder of the CCAA Proceedings.

58. The Monitor understands that Hematite, in consultation with Woodbridge, has reviewed all of the Equipment Agreements. The Monitor further understands that the Equipment Agreements that have not been disclaimed or terminated are being used in Hematite's operations, and that it is the desire of both the Company and Woodbridge to continue to maintain them in good standing.
59. Further, as outlined later in this Third Report, as Secured Claims that will not be compromised pursuant to the Plan, Hematite would be required to pay the Equipment Creditors to prevent them from exercising their rights and remedies once the Plan has been implemented and the stay of proceedings granted in the Amended and Restated Initial Order is no longer effective.
60. The proposed Continuation of Equipment Payments Order contemplates, among other things, that the Applicants will be entitled but not required to make payments to the Equipment Creditors in respect of Equipment Agreements, provided that:
 - (a) the equipment is being, or will be, used in the operations of the Applicants;
 - (b) the particular Equipment Agreement has not been disclaimed or terminated by the Applicants;
 - (c) if the *Personal Property Security Act (Ontario)*, *Uniform Commercial Code (US)* or similar statutes in other jurisdictions applies to the applicable agreement, the Equipment Creditor has taken all steps required by the applicable statute to obtain a first-priority purchase-money security interest in the equipment; and
 - (d) the DIP Lender agrees.

61. The Monitor is of the view that the Continuation of Equipment Payments Order is appropriate in the circumstances, and supports Hematite's request to make certain payments in respect of Equipment Agreements for the following reasons:
- (a) it is not anticipated to materially prejudice the Applicants' other creditors or stakeholders, as Secured Claims, including valid claims of the Equipment Creditors, will not otherwise be compromised pursuant to the Plan;
 - (b) it facilitates the Company's continued use of the equipment subject to the Equipment Agreements, by allowing payments to be made;
 - (c) payments require the approval of the DIP Lender;
 - (d) the Updated Cash Flow Forecast indicates that Company is anticipated to have sufficient liquidity to make the payments; and
 - (e) the Monitor understands that the DIP Lender is supportive of the Continuation of Equipment Payments Order.

XII. THE PLAN

Overview

62. While this Third Report summarizes the key aspects of the Plan (below), readers are advised to carefully read the Plan in full. A copy of the Plan is attached as **Exhibit "G"** to the November Nadeau Affidavit.
63. The Plan has been formulated by Hematite, in consultation with Woodbridge, in its capacity as proposed Plan Sponsor.
64. Pursuant to the Plan Sponsor Agreement, the Plan Implementation Date (as defined in the Plan) is to occur on or before December 31, 2020.

Purposes of the Plan

65. The principal purposes of the Plan are to:

- (a) complete a restructuring of the Applicants that sees the Hematite Group continue as a going concern;
 - (b) provide for the compromise of all Affected Claims and distributions to Affected Creditors from the Creditor Distribution Pool (as defined in the Plan and discussed below); and
 - (c) implement the acquisition of Hematite Holdings and Hematite Industrial Products Inc. (“**Hematite Industrial**”) by the Plan Sponsor (and/or one or more affiliates).
66. The Plan is formulated with the expectation that it will result in a greater benefit to the Affected Creditors than a bankruptcy or liquidation of the Applicants.

Affected Claims

67. Generally speaking, Affected Claims are unsecured claims and for greater certainty include Tooling Claims (discussed further below), Restructuring Claims, and Equity Claims.
68. For the purposes of voting on and participating in the Plan, Affected Creditors are grouped into a single class, regardless of the Applicant of which they are a creditor.
69. Affected Creditors with a Proven Claim in an amount less than or equal to \$10,000 (the “**Election Amount**”), and those Affected Creditors with Proven Claims that exceed the Election Amount and who have delivered an Election Notice to the Monitor in accordance with the Meeting Order, will receive, in full satisfaction of such Proven Claims (each, a “**Convenience Creditor**”), payment in an amount equal to the lesser of the Election Amount and the actual amount of such Proven Claims.
70. The Election Notice is included in the Proxy and Election Notice attached as Schedule “A” to the proposed Meeting Order. In order to be effective, the Proxy and Election Notice must be received by the Monitor no later than 5:00 p.m. on the date that is three (3) business days prior to the date of the Meeting (or any adjournment thereof).
71. The Creditor Distribution Pool in the amount of \$5.5 million will be funded by the Plan Sponsor, which includes the amount to be held in the Unresolved Claims Reserve but does

not include the amount to be held in the Administration Reserve (each as hereinafter defined).

72. Affected Creditors with Proven Claims (other than Equity Claims) that exceed in aggregate the Election Amount and who have not delivered an Election Notice to the Monitor in accordance with the Meeting Order will receive, in full satisfaction of such Proven Claims, their pro rata share of the balance of the Creditor Distribution Pool after deducting (i) the amount held in the Unresolved Claims Reserve (until such claims are resolved), and (ii) the amounts paid to Convenience Creditors.
73. At this early stage in the Claims Procedure, there are 142 Claims yet to be reviewed, and the Monitor anticipates that several additional Restructuring Claims may be filed with respect to agreements that were disclaimed by the Hematite Group.
74. As of the date of this Third Report, the Monitor has fully or partially disallowed four (4) in the aggregate amount of approximately \$30,000. Based on the Monitor's preliminary review, there are several large Claims that the Monitor expects to disallow in the aggregate amount of approximately \$21 million. Accordingly, as of the date of this Third Report, the Monitor would provisionally estimate that the aggregate Claims of Affected Creditors may be approximately \$29 million, as summarized below:

CLAIMS FILED - ESTIMATED AFFECTED CLAIMS		
<i>As at the date of this Third Report</i>		
Claims Status	#	Amount
Filed ⁽¹⁾	166	\$49,714,140
Partially Disallowed ⁽²⁾	(4)	(33,646)
Expected to be Disallowed ⁽³⁾	(3)	(20,958,778)
Estimated Affected Claims	163	28,721,716
Less: Estimated Convenience Creditor Claims ⁽⁴⁾	121	(1,309,877)
Estimated Affected Claims (excluding Convenience Creditors)	42	\$27,411,838
Creditor Distribution Pool		\$ 5,500,000
Less: Estimated Convenience Creditor Distributions ⁽⁴⁾		(678,483)
Remaining Creditor Distribution Pool		4,821,517
% Recovery on Estimated Affected Claims		18%
Notes		
1 Figures include the Late Claims. The Restructuring Claims Bar Date has not yet passed, and several claims may still be filed.		
2 The 10 day period for which the claimants have to file a Notice of Dispute has not yet lapsed.		
3 The Monitor and its counsel have reviewed certain large claims and are of the preliminary view that these Claims are likely to be disallowed.		
4 Includes all claimants with claims less than the Election Amount (\$10k), and for the purposes of this analysis, assumes that claimants with claims up to \$54k will file Election Notices with the Monitor in order to be considered Convenience Creditors.		

75. Assuming the foregoing, this would result in an estimated recovery on claims filed, before consideration of the Unresolved Claims Reserve, of 18% on a preliminary basis.
76. At the Effective Time, all Affected Claims will be fully, finally, irrevocably and forever compromised, released, discharged, cancelled and barred subject only to the right of Affected Creditors with Proven Claims (other than Equity Claims) to receive distributions pursuant to the Plan.

Tooling Claims

77. For the purposes of participating in the Plan as an Affected Creditor, a tooling supplier's Tooling Claim will be reduced by any payments received as against the Tooling Claim, regardless of whether said payment is a Flow-Through Payment pursuant to a Tooling Receipt, or otherwise (ultimately, the "**Tooling Claim Amount**").
78. Section 3.7 of the Plan provides that, from and after the Effective Time, the recovery of any Person on its Tooling Claim will be limited to:

- (a) a *pro rata* distribution from the Creditor Distribution Pool in respect of the Tooling Claim Amount as of the Distribution Record Date (a “**Tooling Distribution**”); plus
 - (b) Flow-Through Payments in respect of the Tooling Claim, from and after the Distribution Record Date (up to the amount of the Tooling Claim, less the Tooling Distribution).
79. Tooling Claims will be Unaffected Claims only to the extent of Tooling Payments (including a Tooling Distribution), if any, made after the Distribution Record Date.
80. As outlined in the November Nadeau Affidavit, the Plan contemplates that tooling suppliers may receive up to, but not greater than, 100% recovery in respect of their Tooling Claim, through a combination of a Tooling Distribution and/or Flow-Through Payments following the Distribution Record Date.
81. The Monitor understands that based on the customer contracts in place, the tooling suppliers who have filed claims (representing approximately \$2.2 million of the approximately \$49.6 million filed) are anticipated to ultimately recover their Tooling Claim in full following the Plan Implementation Date, subject to Tooling Receipts being paid by customers.

Unaffected Claims

82. The following Claims are Unaffected Claims and will not be compromised pursuant to the Plan:
- (a) claims secured by the CCAA Charges;
 - (b) claims that are accepted as or determined to be Secured Claims pursuant to the Claims Procedure Order;
 - (c) claims for amounts required to be paid pursuant to subsections 6(3), (5) and (6) of the CCAA (the “**CCAA Priority Payment Claims**”);
 - (d) any claim by any of the Applicants against one or more of the other Applicants;

- (e) any Claim pursuant to, or related to, the TD Leases;
- (f) any Claim by Woodbridge or its affiliates against any member of the Hematite Group, including a Claim for or related to:
 - (i) the debts pursuant to the TD Assignment and Assumption Agreement (the “**Assigned TD Loans**”);
 - (ii) the Plan Sponsor Agreement;
 - (iii) the DIP Loan; or
 - (iv) the Services Agreement.
- (g) any Claim pursuant to, or related to, the BDC Loan;
- (h) any Claim by a Customer in relation to any warranty, recall, product liability or other obligation of a member of the Hematite Group to such Customer pursuant to the purchase agreements, purchase orders, and/or other contracts set out in the arrangements entered into between such Customer, Hematite Holdings and Woodbridge Foam Corporation;
- (i) Claims of Employees and Directors that are unrelated to the cessation of employment for all amounts owing to them in their capacity as such by statute or otherwise for or in connection with accrued salary, accrued wages, accrued bonuses, fees and expenses, reimbursement obligations, accrued vacation leave and accrued vacation pay;
- (j) Insured Claims, which are that portion of a Claim arising from a cause of action for which Hematite is covered by insurance, only to the extent of such coverage and limited to the actual recovery received from the applicable insurer(s) by Hematite;
- (k) Tooling Claims, but only to the extent of Tooling Payments, if any, made after the Distribution Record Date (as noted above);

- (l) Claims by any Director under any directors' or officers' indemnity policy or agreement with Hematite to the extent not otherwise covered by the CCAA Charges; and
- (m) Claims by the Monitor, counsel to the Monitor, the CRO, or counsel to Hematite.

Equity Claims

83. At the Effective Time, the Plan will be binding on all holders of Equity Claims. Holders of Equity Claims will not receive a distribution or other consideration under the Plan and will not be entitled to vote on the Plan in respect of their Equity Claims. On the Plan Implementation Date all Equity Claims will be fully, finally, irrevocably and forever compromised, released, discharged and barred without any compensation of any kind whatsoever.

Reserves

84. The Plan provides for an amount to be held as a reserve (the “**Unresolved Claims Reserve**”) sufficient to provide each holder of an Unresolved Claim with the *pro rata* amount of the Creditor Distribution Pool that they would be entitled to under the Plan if such Unresolved Claims, or certain portions thereof, are determined to be Proven Claims in accordance with the Claims Procedure Order. The amount of the Unresolved Claims Reserve is to be agreed upon by the Monitor, Hematite and the Plan Sponsor, and approved by the Court in the Sanction Order. Pursuant to the Plan, the Monitor will oversee the distribution of funds from the Unresolved Claims Reserve. As outlined earlier in this Third Report, at this early stage in the Claims Procedure, the amount of Unresolved Claims that may exist at the Distribution Record Date cannot be estimated.
85. The Plan also provides for an amount to be held as a reserve (the “**Administration Reserve**”) in an amount sufficient to pay the fees and expenses of the Monitor and the Monitor’s counsel in connection with administering the resolution of Unresolved Claims in accordance with the Claims Procedure Order and performing any other work required of the Monitor after the Effective Time. The amount of the Administration Reserve will be agreed upon by the Monitor, Hematite and the Plan Sponsor, and approved by the Court in

the Sanction Order. Any amount remaining in the Administration Reserve after completion of such work will be released by the Monitor to Hematite.

The Transaction

86. Pursuant to the Plan, the Plan Sponsor will acquire Hematite Holdings and Hematite Industrial, and the obligations of Hematite will be restructured. Woodbridge, Hematite Holdings, and Hematite Industrial will enter into a subscription agreement (the “**Subscription Agreement**”) prior to the Plan Implementation Date providing for the subscription by Woodbridge for certain new common shares of each of Hematite Holdings and Hematite Industrial (together, the “**New Common Shares**”).
87. The purchase price for the New Common Shares will be equal to the amount that is needed by Hematite, in excess of the Cash on Hand at the Effective Time to:
- (a) fund the Creditor Distribution Pool (including the Unresolved Claims Reserve);
 - (b) fund the Administration Reserve;
 - (c) pay amounts to Unaffected Creditors as required by the Plan (as discussed below);
 - (d) make any other payments to be made by Hematite pursuant to or as otherwise contemplated by the Plan; and
 - (e) leave Hematite with a sufficient amount of cash for working capital purposes immediately after the Effective Time (as determined by Hematite and Woodbridge in accordance with the Plan Sponsor Agreement);
- (collectively, the “**Plan Funding Amount**”, and together with Cash on Hand, the “**Available Cash**”).
88. On the Plan Implementation Date, Hematite will file the Articles of Reorganization for each of Hematite Holdings and Hematite Industrial, which will, in each case, among other things:

- (a) create an unlimited number of New Common Shares and set out the rights, privileges, restrictions and conditions attaching thereto; and
- (b) extinguish the Existing Shares of Hematite Holdings and Hematite Industrial for no consideration.

Payments and Distributions

Unaffected Claims

89. At or before the Effective Time, Hematite will make the following payments from Available Cash in full satisfaction and discharge of the following Unaffected Claims:
- (a) payment of all CCAA Priority Payment Claims in full;
 - (b) payment in full of all Claims secured by the CCAA Charges, other than the DIP Lender's Charge; and
 - (c) payment of any other amounts required to be paid in accordance with the Plan Sponsor Agreement, the Plan or the CCAA Proceedings at or before the Effective Time.
90. The Unaffected Claims that are not paid pursuant to the Plan will continue and not be compromised by the Plan.

Affected Claims

91. The Hematite Group, with oversight of and assistance from the Monitor, or the Monitor, for and on behalf of the Hematite Group, will distribute to each Affected Creditor with a Proven Claim (other than an Equity Claim) its share of the Creditor Distribution Pool (subject to the Unresolved Claims Reserve). No distribution will be made for an amount less than \$10. The Hematite Group's liability to an Affected Creditor for any distribution in an amount less than \$10 will be forever discharged and extinguished.

92. The first distribution date (the “**Initial Distribution Date**”) will be as soon as practicable following the Plan Implementation Date (the timing of which is discussed later in this Third Report).
93. The Unresolved Claims Reserve (as may be reduced from time to time as Unresolved Claims are ultimately resolved) will be set aside by the Hematite Group (pursuant to arrangements satisfactory to the Monitor) or held by the Monitor, in trust, until the final determination of all Unresolved Claims in accordance with the Claims Procedure Order.
94. To the extent that an Unresolved Claim becomes a Proven Claim, the Hematite Group, with oversight of and assistance from the Monitor, or the Monitor, for and on behalf of the Hematite Group, will distribute to the holder thereof an amount from the Unresolved Claims Reserve equal to the share of the Creditor Distribution Pool that such Creditor would have been entitled to receive in respect of its Proven Claim on the Initial Distribution Date had such Unresolved Claim been a Proven Claim on the Initial Distribution Date.
95. After all Unresolved Claims have been finally resolved in accordance with the Claims Procedure Order and any required distributions have been made with respect to Proven Claims, the Hematite Group, with oversight of and assistance from the Monitor, or the Monitor, for and on behalf of the Hematite Group, will distribute the amount remaining in the Unresolved Claims Reserve *pro rata* in respect of each Affected Claim that is a Proven Claim, provided that the amount remaining in the Unresolved Claims Reserve makes such a distribution economically practical, as determined by the Monitor, acting reasonably. If the Monitor is of the view that the amount remaining in the Unresolved Claims Reserve would not make such a distribution economically practical, then the amounts remaining in the Unresolved Claims Reserve will no longer be required to be set aside by the Hematite Group and, if held by the Monitor, will be returned to the Hematite Group.
96. If any distribution to an Affected Creditor is returned as undeliverable (an “**Undeliverable Distribution**”), then neither the Hematite Group nor the Monitor will be required to make further efforts to deliver the distribution to such Creditor unless and until the Hematite Group and Monitor are notified in writing by such Creditor of such Creditor’s current address at which time all such distribution will be made to such Creditor. The obligations

of the Hematite Group and Monitor to an Affected Creditor with an Undeliverable Distribution will expire on the second anniversary of the Plan Implementation Date, after which date any entitlement with respect to any Undeliverable Distributions will be forever discharged and forever barred. On the second anniversary of the Plan Implementation Date, the amount of any Undeliverable Distributions will be released to the Hematite Group.

97. If any cheque in payment of a distribution to an Affected Creditor is not cashed within six (6) months after the date of the applicable distribution (an “**Uncashed Distribution**”): (i) such cheque may be cancelled by the Hematite Group or the Monitor, as applicable, after which date any entitlement with respect to such distribution will be forever discharged and forever barred; and (ii) the amount otherwise payable pursuant to such cancelled cheque will be released to the Hematite Group.

Conditions Precedent to Plan Implementation

98. Implementation of the Plan is conditional on the satisfaction or waiver of certain conditions, including (but not limited to) that:
- (a) the Plan will have been approved by the Affected Creditors;
 - (b) the Sanction Order will have been issued by the Court, and the Sanction Order will have been recognized and given full force and effect in the United States by an Order of the U.S. Court in the Chapter 15 Proceedings;
 - (c) the Subscription Agreement will have been executed, delivered and become effective in accordance with its terms, subject only to the occurrence of the Plan Implementation Date, and Woodbridge will have paid the Plan Funding Amount to Hematite in accordance with the Subscription Agreement;
 - (d) definitive documentation will have been entered into in respect of the BDC Loan, in the form of an amended and restated loan agreement between BDC, Hematite Manufacturing Inc. and certain others, in form and content satisfactory to each and consistent with the arrangements reached prior to the commencement of the CCAA Proceedings;

- (e) arrangements satisfactory to Woodbridge and Hematite in respect of the repayment of, and the terms governing the DIP Facility and the Assigned TD Loans, from and after the Plan Implementation Date, will have become effective, subject only to the occurrence of the Plan Implementation Date;
- (f) each of the conditions precedent to the closing of the Transaction provided in the Plan Sponsor Agreement will have been satisfied or waived in accordance with the terms of the Plan Sponsor Agreement;
- (g) all relevant Persons will have executed, delivered and filed all documents and other instruments that, in the opinion of Hematite and Woodbridge, acting reasonably, are necessary to implement the provisions of the Plan and the Sanction Order;
- (h) no action or proceeding will be pending by any third party or enjoin or prohibit the Transaction; and
- (i) all applicable approvals and orders of, and all applicable submissions and filings with, governmental, regulatory and judicial authorities having jurisdiction for the completion of the transactions contemplated by the Plan will have been obtained or made.

Plan Implementation

99. Upon receipt of the Certificate of Amendment evidencing the filing of the Articles of Reorganization with respect to each of Hematite Holdings and Hematite Industrial, the Hematite Group will deliver to the Monitor and the Plan Sponsor, and file with the Court, a copy of a certificate (i) stating that each of the Plan Implementation Conditions has been satisfied or waived and that the Articles of Reorganization for each of Hematite Holdings and Hematite Industrial have been filed and have become effective as of the date set out in the applicable Certificate of Amendment, and (ii) designating an Effective Time on the Plan Implementation Date.
100. As soon as practicable following the occurrence of the Effective Time, the Monitor will serve on the service list in the CCAA Proceedings (the “**Service List**”) and post on the

Monitor's Website a certificate confirming that the Plan Implementation Date has occurred and the time of the Effective Time, and will file such certificate with the Court as soon as practicable after it has been delivered.

Plan Releases

101. The Plan provides that each of (i) Hematite; (ii) the CRO; (iii) the Monitor; (iv) Woodbridge; and (v) their respective Representatives (collectively, the “**Released Parties**”) will be fully, finally and irrevocably released and discharged from all Released Claims at the Effective Time, which will be fully, finally, irrevocably and forever waived, discharged, released, cancelled and barred as against the Released Parties.
102. From and after the Effective Time, all Persons will be permanently barred with respect to any Released Claims from: (i) commencing, directly or indirectly, any action or other proceeding of any kind against any of the Released Parties; (ii) enforcing by any manner or means, directly or indirectly, any judgment, award, decree or order against any of the Released Parties or their property; (iii) commencing in any manner, directly or indirectly, any action or other proceeding of any kind against any Person who makes a claim or might reasonably be expected to make a claim, in any manner or forum, against one or more of the Released Parties; (iv) creating, perfecting, asserting or otherwise enforcing, directly or indirectly, any Encumbrance of any kind against the Released Parties or their property; or (v) taking any actions to interfere with the implementation or consummation of the Plan.

Modification of the Plan

103. The Plan and the proposed Meeting Order contemplate that the Applicants may amend, restate, modify and/or supplement the Plan (including to address or further address the treatment of claims subject to the Claims Procedure Order), on terms satisfactory to the Plan Sponsor, so long as any such amendment is filed with the Court and:
 - (a) if made prior to or at the Meeting, communicated to Affected Creditors, in the manner outlined earlier in this Third Report; and
 - (b) if made following the Meeting, approved by the Court.

104. Notwithstanding the foregoing, after the Meeting and before the Plan Implementation Date the Hematite Group may amend, restate, modify and/or supplement the Plan with the consent of the Plan Sponsor and the Monitor, without the consent of the Affected Creditors or approval of the Court, provided that any such amendment, restatement, modification and/or supplement:
- (a) is filed with the Court;
 - (b) is posted on the Monitor's Website and notice thereof is provided to the Service List;
 - (c) does not materially decrease the anticipated recovery of Affected Creditors under the Plan and is otherwise not materially adverse to the financial or economic interests of Affected Creditors, in each case as determined by the Monitor; and
 - (d) does not amend the conditions precedent to Plan implementation.
105. Finally, the Company may make any amendment, restatement, modification or supplement to the Plan at any time and from time to time with the consent of the Monitor and the Plan Sponsor, without the consent of the Affected Creditors or approval of the Court, provided that any such amendment, restatement, modification and/or supplement:
- (a) is filed with the Court;
 - (b) is posted on the Monitor's Website and notice thereof is provided to the Service List; and
 - (c) concerns a matter which is of an administrative nature required to better give effect to the implementation of the Plan, or is to cure any errors, omissions or ambiguities, and in either case is not materially adverse to the financial or economic interests of the Affected Creditors as determined by the Monitor.

Monitor's Recommendation

106. The Monitor is not anticipating to report to the Court or to provide further information to the Affected Creditors prior to the Meeting Date, and as such is providing its recommendation on both the filing and the creditors' acceptance of the Plan in this Third Report.
107. In the Monitor's view, the only realistic alternative to the Plan in the circumstances is a liquidation of the Applicants.
108. The Applicants' business can only survive as an enterprise and a going concern with the support of the Customers and secured creditors. The Monitor understands from the Applicants that stakeholder support is highly dependent upon Customer approval of the ownership and control of the business going forward. As a result of significant efforts by the Applicants and Woodbridge, the Customers are supportive of Woodbridge's ultimate stewardship of Hematite's business. Without this support and the arrangements that have been made with respect to the claims of the senior secured creditors, the business would not likely be able to continue as a going concern. Given the Company's severe liquidity constraints, the only realistic alternative to the Plan would be liquidation.
109. In addition, the Monitor notes that:
- (a) pursuant to the Plan Sponsor Agreement, the Applicants are required to obtain the Meeting Order by November 18, 2020 and the Sanction Order by December 18, 2020 and
 - (b) failure of the Company to comply with the Plan Sponsor Agreement is an event of default pursuant to the DIP Loan Agreement. Absent the cooperation of the DIP Lender, Hematite would not have sufficient liquidity to operate the business or to pursue a going-concern alternative to the Plan.
110. In order to evaluate the Plan as against the likely alternative, the Monitor has prepared an analysis of a range of recoveries which may be available to unsecured creditors of the Hematite Group in a liquidation scenario pursuant to a bankruptcy (the "**Liquidation**

Analysis”). As a result of, among other things, the specialized nature of Hematite’s business and its fixed assets, as well as the high degree of encumbrances on the assets, the Liquidation Analysis indicates that the estimated range of liquidation values is anticipated to result in a significant shortfall to the secured creditors, and no recovery for unsecured creditors. A copy of the Liquidation Analysis is attached hereto as **Confidential Appendix “1”**.

111. As part of its evaluation of the Plan, the Monitor has reviewed the Books and Records for any payments made which could be considered voidable transactions pursuant to subsection 95(1) of the *Bankruptcy and Insolvency Act* (the “**BIA**”). The Monitor reviewed Hematite’s individual cash disbursements recorded in the amount of \$100,000 or greater:
- (a) in the last three (3) months prior to the Filing Date, for creditors with whom the Monitor would have expected the Company to be dealing at arms’ length in the ordinary course; and
 - (b) in the last 12 months prior to the Filing Date, for creditors with whom the Monitor understands the Company is affiliated or related (but, for greater certainty, is not an Applicant).

Based on the Monitor’s review of the above, there was no evidence to suggest any payments made by Hematite could be considered a voidable transaction pursuant to section 95(1) of the BIA.

112. As described in the November Nadeau Affidavit, the classification of creditors was determined with regard to, among other things, the creditors’ legal interests, the remedies available to them, the extent to which they would recover their claims by exercising those remedies and the consideration offered to them under the Plan. On that basis, it is the Monitor’s view that one class of Affected Creditors is appropriate in the circumstances.
113. Therefore, the Monitor recommends that the Plan be filed pursuant to the proposed Meeting Order, and that the Affected Creditors vote in favour of the Plan, for the following reasons:

- (a) the Plan is anticipated to allow the Hematite Group to continue as a going concern, preserving jobs for approximately 280 employees, a supply channel for customers, and a sales channel for suppliers;
- (b) the Plan is the product of extensive negotiations between Hematite and the Plan Sponsor, with the assistance of the Monitor;
- (c) the Plan provides for some recovery for Affected Creditors and the Liquidation Analysis indicates that, in a liquidation scenario, no recovery for Affected Creditors would be anticipated;
- (d) the Plan is a balance of the interests of the Plan Sponsor, the Company, and the Company's stakeholders. Given, among other things, the treatment of the Unaffected Claims and the Excluded Claims, even in the unlikely event of recoveries to unsecured creditors in a liquidation scenario, these would be distributed *pro rata* to a significantly higher amount of claims in aggregate than the amount of Affected Claims expected under the Plan;
- (e) the classification of creditors in the Plan is fair and reasonable;
- (f) the Plan contemplates the payment of the priority amounts as required pursuant to subsections 6(3), (5) and (6) of the CCAA;
- (g) the Plan has a reasonable prospect of being implemented; and
- (h) in the Monitor's view, the Plan is fair and reasonable.

XIII. CREDITORS' MEETING

114. The Plan contemplates that the meeting of Affected Creditors will be held in accordance with the Meeting Order (the "**Meeting**"). The proposed Meeting Order contemplates hosting the Meeting virtually through videoconference due to the COVID-19 pandemic on December 11, 2020 at 11:00 a.m. (Toronto Time). The Monitor notes that the Office of the Superintendent of Bankruptcy has encouraged licensed insolvency trustees to make every reasonable effort to hold meetings electronically during the pandemic and videoconference

meetings have been authorized by the Court in other CCAA proceedings on multiple occasions.

115. The proposed Meeting Order permits the Applicants, in consultation with the Monitor and with the approval of the Plan Sponsor, to may make any changes with respect to the date, time, and method of the Meeting as considered necessary or desirable in the circumstances.

Meeting Materials

116. The proposed Meeting Order approves the following (collectively, the “**Meeting Materials**”):

- (a) the Information Statement (a copy of which is attached as **Exhibit “H”** to the November Nadeau Affidavit);
- (b) the Notice of Meeting and Sanction Hearing (a copy of which is attached as **Exhibit “I”** to the November Nadeau Affidavit); and
- (c) the Proxy and Election Notice for Affected Creditors.

117. In consultation with the Monitor and with the approval of the Plan Sponsor, the Applicants may make such changes to the Meeting Materials, or prepare supplements to the Information Statement, as considered necessary or desirable in the circumstances.

118. Also pursuant to the proposed Meeting Order, the Monitor is directed to, *inter alia*, as soon as practicable after the granting of the Meeting Order:

- (a) post copies of the Meeting Materials and the Meeting Order on the Monitor’s Website, to remain posted until at least one (1) business day following the Plan Implementation Date;
- (b) send the Meeting Materials (by email, if known, otherwise by regular mail, fax or courier) to:
 - (i) all Affected Creditors with Affected Claims in respect of which a Proof of Claim has been filed in a proper and timely manner in accordance with the

Claims Procedure Order and that is not barred pursuant to the Claims Procedure Order;

- (ii) the parties listed on the Consolidated List Required Pursuant to Rule 1007(a)(4) of the Federal Rules of Bankruptcy Procedure filed on September 24, 2020 with the U.S. Court;
- (iii) the Service List; and
- (iv) any Affected Creditor or holder of a D&O Claim who makes a written request to the Monitor for a copy of the Meeting Materials;

(collectively, the “**Meeting Parties**”); and

- (c) cause notice of the Meeting to be published for a period of one (1) business day in *The Globe and Mail* (National Edition) and *USA Today* (National Edition).

119. The Monitor shall, in respect of any supplemental Information Statement, and any supplements or amendments to the Meeting Materials prepared:

- (a) promptly post such materials to the Monitor’s Website; and
- (b) if prior to the Meeting, send to the Meeting Parties; or if at the Meeting, provide notice to those present at the Meeting prior to the vote to approve the Plan.

Conduct at the Meeting

120. The proposed Meeting Order:

- (a) directs the Monitor to designate a representative to act as chair of the Meeting (the “**Chair**”) to decide all matters relating to the conduct of the Meeting, and to designate a secretary for the Meeting (the “**Secretary**”); and
- (b) authorizes the Monitor to appoint scrutineers (the “**Scrutineers**”) for the supervision and tabulation of the attendance, quorum and votes cast at the Meeting;
- (c) directs that the only Persons entitled to notice of, or to attend, the Meeting are:
 - (i) the Monitor and its counsel;
 - (ii) those entitled to vote at the Meeting pursuant to the Meeting Order (in person or by proxy) and their legal counsel and advisors;
 - (iii) the Applicants’ officers, legal counsel and advisors;
 - (iv) the CRO;
 - (v) the Plan Sponsor’s officers, legal counsel and advisors; and
 - (vi) the Scrutineers and Secretary.

Any other Person may be admitted to the Meeting on invitation of the Chair.

121. Quorum is one (1) Affected Creditor with an Affected Claim as of December 4, 2020 that is a Proven Claim (a “**Voting Claim**”).

Voting

122. The proposed Meeting Order provides that Affected Creditors with a Proven Claim or Unresolved Claim will be entitled to vote at the Meeting. Each Voting Claim shall have one (1) vote and a value equal to its Proven Claim. Votes in respect of Unresolved Claims will be counted but recorded separately (as described further below).

123. The Plan shall be approved by a majority in number of the Affected Creditors holding Voting Claims representing at least two-thirds in value of the Voting Claims that are in attendance personally or by proxy at the Meeting (the “**Required Majorities**”) voting in favour of the Plan. The result of the vote will be binding on all Affected Creditors, whether or not any such Affected Creditor was present at the Meeting or voted in respect of the Plan.
124. A voting Proxy must be received by the Monitor no later than 5:00 p.m. on the date that is three (3) business days prior to the Meeting, and the Chair is entitled to rely on such duly filed Proxy for voting at the Meeting.
125. Each Convenience Creditor with a Voting Claim shall be deemed to vote in favour of the Plan unless such Convenience Creditor has notified the Monitor in writing of its intention to vote against the Plan prior to the Meeting of Affected Creditors and does vote against the Plan at such Meeting either personally or by proxy.
126. If, after reviewing the votes cast at the Meeting, it appears that approval or rejection of the Plan by the Affected Creditors could be decided by the votes cast in respect of Unresolved Claims, the Applicants and the Monitor, in consultation with the Plan Sponsor and on notice to the Service List, will request this Court’s directions and, if necessary, a deferral of the Sanction Hearing (as defined below) and expedited determination of such Unresolved Claims, as appropriate.
127. The Monitor will file a report with the Court no later than three (3) business days following the Meeting, which shall be served on the Service List and posted on the Monitor’s Website as soon as practicable after it is filed with this Court, with respect to:
- (a) the results of the voting at the Meeting on the resolution to approve the Plan;
 - (b) whether the Required Majorities have approved the Plan;
 - (c) whether the votes cast in respect Unresolved Claims, if any, would affect the result of that vote; and
 - (d) any other matter that the Monitor considers relevant.

Conclusion

128. The Monitor expects that it will be able to complete the tasks that the proposed Meeting Order directs. The Monitor is satisfied that the Meeting Materials appropriately describe the material terms of the Plan. The Monitor is satisfied that the procedures in the Meeting Order will provide Affected Creditors with sufficient notice of the Meeting and an adequate opportunity to vote on the Plan.

XIV. SANCTION HEARING

129. Should the Plan be approved by the Required Majorities, the proposed Meeting Order directs the Applicants to bring seek the Sanction Order at the Sanction Hearing.

130. The Meeting Order further provides that any party who wishes to oppose the entry of the Sanction Order shall serve on the Service List a notice setting out the basis for such opposition and a copy of the materials to be used to oppose the granting of the Sanction Order at least two (2) business days before the Sanction Hearing Date, or such shorter time as this Court may allow.

XV. SEALING

131. The Applicants are seeking to seal the Liquidation Analysis attached as **Confidential Appendix “1”** to this Third Report until further Order of this Court, as it contains confidential financial and other information of the Applicants that could prejudice the Company if publicly available. The Monitor is supportive of the request for a sealing Order in the circumstances, as no creditor is anticipated to be prejudiced by same. The material conclusion in the Liquidation Analysis from the perspective of Affected Creditors is that no recovery is anticipated for them in a liquidation scenario. In the Monitor’s view, there is no material benefit to Affected Creditors, and the potential for material detriment to the Company, if the details of the Liquidation Analysis were to be disclosed.

XVI. MONITOR’S CONCLUSION AND RECOMMENDATIONS

132. The Applicants are seeking this Court’s approval of:

- (a) the Meeting Order;
- (b) the Flow-Through Payment Order; and
- (c) the Continued Equipment Payments Order.

133. For the stated reasons herein, the Monitor recommends that the Court grants the relief being sought by the Applicants, should the Court see fit to do so.

All of which is respectfully submitted this 16th day of November 2020.

KPMG Inc.
In its capacity as Monitor of
Hematite Group
And not in its personal or corporate capacity

Per:



Katherine Forbes
CPA, CA, CIRP, LIT
Senior Vice President



Tim Montgomery
CIRP, LIT
Vice President