

District of Saskatchewan
Division No. 02 - Saskatoon
Court No.
Estate No. 23-2991406

**IN THE COURT OF KING'S BENCH FOR SASKATCHEWAN
IN BANKRUPTCY AND INSOLVENCY**

**IN THE MATTER OF THE BANKRUPTCY OF
VITAL METALS CANADA LTD.
OF THE CITY OF SASKATOON, IN THE PROVINCE OF SASKATCHEWAN**

**TRUSTEE'S PRELIMINARY REPORT TO CREDITORS
OCTOBER 16, 2023**

BACKGROUND AND APPOINTMENT

1. This report has been prepared by MNP Ltd. in its capacity as Licensed Insolvency Trustee (the "**Trustee**") in the bankruptcy of Vital Metals Canada Ltd. ("**VMCL**") to provide preliminary information to creditors on October 16, 2023.
2. VMCL is a private company incorporated in Saskatchewan in 2020 for the sole purpose of constructing and operating a purpose-built rare earth mineral processing facility located in Saskatoon, Saskatchewan, Canada.
3. VMCL is 100% owned by Vital Metals Ltd. ("**Vital**") an Australian company. Vital financed the design and construction of the processing facility.
4. Due to changes in market conditions and budget issues, Vital made the strategic decision to discontinue the construction and operations of VMCL.
5. VMCL filed a voluntary assignment into bankruptcy on September 27, 2023 and MNP Ltd. was appointed Trustee (the "**Trustee**").

BOOKS AND RECORDS

6. The Trustee has taken possession of certain book and records of VMCL and is in the process of reviewing the financial records available and obtaining additional financial information.

MACHINERY, EQUIPMENT, INVENTORY, OFFICE EQUIPMENT, ETC.

7. The assets of VMCL consist of a purpose-built rare earth mineral processing facility located in Saskatoon, Saskatchewan.
8. In addition, VMCL owns various pieces of tools and equipment, office equipment, furnishings, and computer equipment.
9. VMCL operated out of leased premises located at 2525 B Wentz Avenue, Saskatoon, Saskatchewan (the "**Warehouse**"). The processing facility was constructed on leased premises located at 2950 Miners Avenue, Saskatoon, Saskatchewan (the "**Plant**"), collectively the "**Leased Premises**"). The Trustee has occupied the Leased Premises.

10. The Trustee received \$149,290.28 from the funds held in the BMO account and \$23,455.67 from the funds held in the TD account.
11. The Trustee anticipates receiving a GST refund in the approximate amount of \$336,000.00 from a return filed by VMCL prior to the date of bankruptcy. The assessment of the return is pending and is subject to audit by CRA and any offsets.
12. In accordance with the books and records of VMCL, a balance of approximately \$562,000.00 in accounts receivables ("AR") was outstanding as at the date of bankruptcy.
13. VMCL negotiated the sale of certain assets prior to the assignment in bankruptcy. The Trustee has conducted a preliminary review of the transactions and does not note any issues at this time but may take issue later.

THIRD PARTY PROPERTY

14. ATCO Structures & Logistics Ltd. has filed a property claim with respect to a self-contained lavatory wheeled trailer.
15. DeLage Landen Financial Services ("DLL") has been in contact with the Trustee with respect to a leased colour copier. The Trustee anticipates receiving a property claim from DLL for this asset.
16. The Trustee will conduct a review of the property claims.

CONSERVATORY AND PROTECTIVE MEASURES

17. The Trustee contacted BMO and TD to restrict the bank account to deposit only. The Trustee has transferred the balances to the Trustee's estate bank account.
18. The Trustee had employees turn in keys to the Leased Premises and return property of VMCL in their possession.
19. The Trustee changed the locks on the Leased Premises on September 28, 2023.
20. The Trustee contacted the insurance broker and requested that MNP Ltd. be added as loss payable on the existing insurance policy.

EMPLOYEES

21. The Trustee attended at the Warehouse on September 27, 2023 and met with the employees present. The employees were provided with letters of termination dated September 27, 2023. Termination letters were mailed to those employees not present.
22. The Trustee has determined the outstanding wages, vacation pay, and termination pay owed to the employees as of September 27, 2023. The Trustee is in the process of administering WEPPA. Notice packages have been forwarded to the employees along with detailed instructions regarding the application process.
23. The Records of Employment and T4s were prepared and filed.

SECURED CREDITORS AND PRIORITY CREDITORS

24. The Trustee is aware of the following parties that may have priority over the claims of unsecured creditors:

Secured Party	Asset Secured	Estimated Claim \$'s
Vital Metals Ltd.	All property	47,250
Employees - WEPP	Current assets	22,000

25. VMCL's records indicate that there are unsecured creditors with the total claims of \$41,769,797.04.

LEGAL PROCEEDINGS OR OPINIONS SOUGHT

26. The Trustee is not aware of any ongoing litigation. The Trustee has not commenced or continued any actions on behalf of VMCL.

REVIEWABLE TRANSACTIONS AND PREFERENCE PAYMENTS

27. The Trustee has conducted a preliminary review of the information available and has not identified any transactions which could be regarded as preference transactions or transfers at undervalue to date. Further investigations may be conducted which could reveal such transactions.

CONFLICT OF INTEREST

28. The Trustee is not aware of any conflicts of interest.

ANTICIPATED REALIZATION AND PROJECTED DISTRIBUTION

29. The Trustee has commissioned McDougall Auctioneers to conduct an appraisal of the assets of VMCL. The appraisal has not been completed as at the date of this report.
30. The Trustee has initiated a sales process designed for the en bloc purchase of the assets of VMCL. In the event no acceptable offers are received by the offer deadline of November 10, 2023, the Trustee will proceed to liquidate the assets of VMCL by auction.

CONCLUSION

31. Based on our preliminary estimates, the Trustee anticipates that there will be a recovery from the sale of the assets. However, projected distributions are undetermined at this time.

Dated at Saskatoon, Saskatchewan, the 16th day of October, 2023.

Chelene Riendeau, CIRP LIT
Vice President