



No. S-227894  
Vancouver Registry

**IN THE SUPREME COURT OF BRITISH COLUMBIA**

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

– AND –

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

– AND –

IN THE MATTER OF A PLAN OF COMPROMISE AND ARRANGEMENT OF  
GREAT PANTHER MINING LIMITED

PETITIONER

**SECOND SUPPLEMENTAL REPORT TO THE SECOND REPORT OF THE MONITOR  
ALVAREZ & MARSAL CANADA INC.**

**October 27, 2022**

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## 1.0 PURPOSE

- 1.1 This supplemental report (the “**Second Supplemental Report**”) has been prepared by the Monitor to provide this Honourable Court with additional information in respect of certain matters raised during the hearing (the “**Hearing**”) of Great Panther Mining Limited’s (“**GPR’s**” or the “**Company’s**”) application on October 21 and 26, 2022 for an extension of the Stay Period to November 3, 2022. Specifically, this Second Supplemental Report provides additional information concerning the current value of certain assets of GPR and the environmental concerns relating to GPR’s Peruvian mine (the “**Coricancha Mine**”).
- 1.2 The Second Supplemental Report should be read in conjunction with the Second Report of the Monitor dated October 20, 2022 (the “**Second Monitor’s Report**”), the Monitor’s First Supplemental Report to the Second Monitor’s Report dated October 25, 2022, the Company’s application materials dated October 19, 2022, and other materials filed in the CCAA Proceedings (collectively, the “**Filed Materials**”). Background information, including capitalized terms not defined herein, are contained in the Filed Materials.
- 1.3 All monetary amounts contained in this Second Supplemental Report are expressed in United States dollars unless otherwise noted.

## 2.0 GPR ASSET VALUES

- 2.1 It is apparent to the Monitor that, during the course of the Hearing, there arose some confusion as to the value of certain assets of GPR.
- 2.2 Apart from intercompany equity and debt interests, GPR currently holds two major assets: cash on hand and shares of Guanajuato Silver Company Ltd. (“**GSilver**”).
- 2.3 As reported to this Honourable Court in the Second Monitor’s Report, as of October 14, 2022, the total cash and cash equivalents held by GPR totaled approximately USD \$4.4 million (equivalent to approximately CAD \$6.1 million based on the published exchange rate by the Bank of Canada for the same date). As of October 21, 2022, actual cash and cash equivalents held by GPR were approximately USD \$4.4 million (equivalent to approximately CAD \$6.0 million based on the published exchange rate by the Bank of Canada as of October 21, 2022).
- 2.4 GPR currently owns 25,787,200 common shares of GSilver, that are subject to hold conditions noted in the Second Monitor’s Report. GPR received the GSilver shares as part of the proceeds from the sale of GPR’s Mexican operations to GSilver. GSilver is listed in Canada on the TSX Venture Exchange (TSXV:GSVR), in the United States on the over-the-counter stock market of

OTC Markets Group, Inc. (OTCQX:GSVRF) and recently in the United Kingdom on the Aquis Stock Exchange (AQSE:GSVR). As of August 4, 2022 (the closing date of the transaction), the GSilver shares were worth approximately USD \$8.9 million (TSXV trading price: CAD \$0.45/share; market value of the shares: CAD \$11.5 million).

- 2.5 As of market close on October 26, 2022, GSilver's share price on TSXV was CAD \$0.41/share, which means that the total value of GPR's GSilver shares on hand was CAD \$10.6 million, which was equivalent to approximately USD \$7.8 million based on the published exchange rate by the Bank of Canada for the same date.
- 2.6 The Monitor notes that the value of the GSilver shares held by GPR is dependent on market fluctuations. The chart presented below represents the share price fluctuations of GSilver from January 1, 2022 to October 26, 2022. As will be apparent, the share price has ranged from a high of CAD \$0.67 to a low of CAD \$0.27.



Source: S&P Capital IQ.

- 2.7 The Monitor also notes that the market values of the GSilver shares noted herein do not reflect the net realizable value of the shares, which would be calculated after considering selling and holding costs, and any discount that may apply if the Company were to sell a significant position all at once.
- 2.8 Taking all of the foregoing together, as at October 26, 2022, the Company has approximately CAD \$6.0 million in cash and shares in GSilver having a value of approximately CAD \$10.6 million for

a total of CAD \$16.6 million (or USD \$12.2 million based on the published exchange rate by the Bank of Canada as of October 26, 2022).

- 2.9 As noted in the First Supplemental Report, while the CCAA cash flow forecast for the period beyond November 4, 2022 is yet to be filed by the Company, the Monitor reported that, based on information available to the Monitor, at a high level, the current estimated net cash outflow (without taking into account the potential proceeds of USD \$750,000 from the sale of the Coricancha Mine) for the period November 5, 2022 to January 6, 2023 is approximately USD \$1.26 million (CAD \$1.7 million, based on the published exchange rate by the Bank of Canada as of October 26, 2022).

### **3.0 ENVIRONMENTAL CONCERNS AT THE CORICANCHA MINE**

- 3.1 On October 25, 2022, the Company arranged a virtual meeting among the Monitor, counsel to the Monitor, and Mr. Larry Breckenridge, Principal Environmental Engineer of Global Resource Engineering (“GRE”). The purpose of the meeting was for Mr. Breckenridge to provide the Monitor with additional information regarding potential environmental concerns at the Coricancha Mine.
- 3.2 GRE and Mr. Breckenridge are based in Denver, Colorado. Mr. Breckenridge advised the Monitor that he has personally been involved with the Coricancha Mine since 2007, first having been engaged by a previous owner of the mine, and that he was a member of GPR’s due diligence team when it acquired the Coricancha Mine in July 2017. GRE has more recently completed select projects at the Coricancha Mine. Mr. Breckenridge advised that he is very familiar with the mine.
- 3.3 The Monitor was advised by Mr. Breckenridge of the following:
- a) the Coricancha Mine treats approximately 500,000 cubic metres of acid rock drainage impacted water per year;
  - b) water discharged from the mine portals is acidic (approximately pH 2.3) and Peruvian regulations require water to be discharged at pH levels between six and nine;
  - c) the water discharged from the mine portals also contains numerous chemicals and elements, including arsenic, copper, iron, lead, cadmium, zinc and other regulated metals; the levels of those minerals in the water generally exceed regulatory standards, some by many hundreds of times;
  - d) the treatment facility extracts and treats water adjusting pH levels and removing toxic chemicals and elements before discharging the treated water into the Rímac River;
  - e) the slurry remaining after water treatment, is extracted and is shipped to another, third-party facility for disposal;



- f) the Rímac River is the main water source for the city of Lima, approximately 90 kms downstream from the Coricancha Mine, and for numerous communities in between, the nearest being approximately 15 kms downstream from the mine;
- g) in the event water treatment ceases, untreated water will be discharged into the Rímac River, which would immediately turn the river proximate to the mine “blood red”;
- h) the discharge of untreated water into the river would result in contamination of the water, making the water around the mine site undrinkable and unusable by human beings and wildlife. The impact would be lessened further down the river from the mine site due to dilution; and
- i) Mr. Breckenridge could not say what the impact would be on communities or wildlife downstream from the mine as these calculations have not been performed. However, he noted that “stopping treatment at the mine will create significant natural resource damage.” Mr. Breckenridge confirmed that the term “significant natural resource damage” is one of the strongest industry terms used to describe an event impact.

3.4 Following the meeting with Mr. Breckenridge, the Monitor inquired of the Company as to how much notice the relevant Peruvian authority might require in order to take control of the Coricancha Mine so as to continue treating the wastewater treatment without interruption. The Company has advised that its Peruvian counsel, though uncertain, indicated that it expected Peruvian authorities to take a least one month, and possibly as much as six to nine months, to step in and take over water treatment and site management should the site be abandoned (or at risk of abandonment), including due to lack of funding.

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

**Alvarez & Marsal Canada Inc.,  
in its capacity as Monitor of Great Panther Mining Limited  
and not in its personal or corporate capacity**



Per: Anthony Tillman  
Senior Vice President



Per: Pinky Law  
Vice President