



COURT FILE NUMBER 2001-07984

COURT COURT OF QUEEN'S BENCH OF ALBERTA  
IN BANKRUPTCY AND INSOLVENCY

JUDICIAL CENTRE CALGARY

IN THE MATTER OF THE *COMPANIES'*  
*CREDITORS ARRANGEMENT ACT*, RSC, 1985, c  
C-36, as amended

COM  
July 10, 2020  
Justice Romaine

AND IN THE MATTER OF A PLAN OF  
COMPROMISE OR ARRANGEMENT OF  
NORTHERN SILICA CORPORATION,  
HEEMSKIRK MINING PTY. LTD., CUSTOM  
BULK SERVICES INC., HEEMSKIRK  
CANADA LIMITED, HEEMSKIRK CANADA  
HOLDINGS LIMITED and HCA MOUNTAIN  
MINERALS (MOBERLY) LIMITED

APPLICANTS QMETCO LIMITED and TAURUS RESOURCES  
NO. 2 B.V.

RESPONDENTS NORTHERN SILICA CORPORATION,  
HEEMSKIRK MINING PTY. LTD., CUSTOM  
BULK SERVICES INC., HEEMSKIRK  
CANADA LIMITED, HEEMSKIRK CANADA  
HOLDINGS LIMITED and HCA MOUNTAIN  
MINERALS (MOBERLY) LIMITED

DOCUMENT **AFFIDAVIT (AMENDED AND RESTATED  
INITIAL ORDER)**

ADDRESS FOR SERVICE  
AND CONTACT  
INFORMATION OF PARTY  
FILING THIS DOCUMENT

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File No. 273913

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IN BANKRUPTCY AND INSOLVENCY

JUDICIAL CENTRE CALGARY

Form 49  
Rule 13.19  
Clerk's Stamp

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C-36, as amended

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File No. 273913

**AFFIDAVIT OF JERRAD BLANCHARD****Sworn July 2, 2020**

I, Jerrad Blanchard, of the City of Calgary, in the Province of Alberta, MAKE OATH AND SAY THAT:

**A. INTRODUCTION**

1. I am the Chief Financial Officer of Northern Silica Corporation (“NSC”), Custom Bulk Services Inc. (“Custom Bulk”), Heemskirk Canada Limited (“Heemskirk Canada”), Heemskirk Canada Holdings Limited (“Heemskirk Holdings”) and HCA Mountain Minerals (Moberly) Limited (“HCA Moberly”) (collectively, the “Heemskirk Subsidiaries”).
2. The background to this proceeding is set out in the affidavit of Martin Boland, sworn June 26, 2020 (the “Boland Affidavit”), on behalf of QMetco Limited (“QMetco”) and Taurus Resources No. 2 B.V. (“Taurus” and together with QMetco, the “Secured Creditors”).
3. NSC is an Alberta corporation with a registered office address of 1900, 520 – 3<sup>rd</sup> Avenue SW, Calgary, AB T2P 0R3. NSC is the sole shareholder and parent company of Heemskirk Mining Pty. Ltd. (“Heemskirk Australia”, and collectively with NSC and the Heemskirk Subsidiaries, the “NSC Companies”).
4. Heemskirk Australia is an Australian Corporation. The Heemskirk Subsidiaries are direct or indirect subsidiaries of Heemskirk Australia.
5. I am authorized to swear this affidavit on behalf of the NSC Companies and have personal knowledge of the facts hereinafter deposed except where such facts are stated to be on information and belief, and in such cases, I verily believe them to be true.

6. I am a Chartered Professional Accountant and have more than 15 years of experience in all aspects of corporate finance, financial reporting, and implementation of controls and governance for public and private companies.
7. In my capacity as the Chief Financial Officer of NSC and the Heemskirk Subsidiaries, I am familiar with each of the NSC Companies.
8. In preparing this affidavit, I have consulted with legal, financial and other advisors of the NSC Companies and other members of NSC's management team. I have also consulted with the Monitor (as defined below). Based on my understanding of the matters deposed to herein and from my own review of the books and records of the NSC Companies, I believe the facts relating to their financial and other obligations, are correct.
9. On July 3, 2020, the Secured Creditors applied for and were granted an initial order in respect of the NSC Companies (the "Initial Order"). Pursuant to the Initial Order, Alvarez & Marsal Canada Inc. was appointed Monitor in respect of the NSC Companies (in such capacity, the "Monitor").
10. Terms used but not defined herein have the meanings ascribed to them in the Initial Order.
11. This affidavit is sworn in support of an application by the NSC Companies pursuant to the *Companies' Creditors Arrangement Act*, RSC, c C-36, as amended (the "CCAA") for an order amending and restating the Initial Order substantially in the form attached as Schedule "A" to the application filed concurrently with this affidavit, granting certain relief, including:
  - (a) extending the stay of proceedings (the "Stay Period") granted in the Initial Order to and including August 7, 2020, subject to further Order of the Court;
  - (b) declaring that the NSC Companies may pursue an orderly restructuring of the Business and the Property;

- (c) increasing the amount of the Administration Charge to \$200,000 to secure the payment of the fees of the Monitor, counsel to the Monitor, and counsel to the NSC Companies;
- (d) increasing the amount of the Directors' Charge to \$150,000 to secure the NSC Companies obligation to indemnify the directors and officers of the NSC Companies in respect of liabilities they may incur during the CCAA proceedings in their capacities as directors and officers;
- (e) approving the interim financing contemplated by the term sheet dated July 3, 2020 between Vitreo Minerals Ltd., an affiliate of the Secured Lenders (the "Interim Lender"), and the NSC Companies the ("Term Sheet"), substantially in the form attached hereto as **Exhibit "A"**; and
- (f) granting an Interim Lender's Charge (as defined below) as a first ranking charge over the Property, subject only to the Administration Charge, the Directors' Charge, the existing security granted by Custom Bulk in favour of ATB Financial (the "ATB Security") and the other Permitted Liens (as defined in the Term Sheet).

**B. EXTENSION OF THE STAY PERIOD**

- 12. The Stay Period granted by the Initial Order will expire on July 10, 2020.
- 13. Since the Initial Order was granted on June 30, 2020, the NSC Companies have acted in good faith and with due diligence to:
  - (a) continue care and maintenance of the business;
  - (b) consult with their legal counsel and the Monitor to determine the terms of a proposed sale and investment solicitation process ("SISP");

- (c) engage with the Secured Lenders, with the assistance of their legal counsel and the Monitor, to negotiate the terms of a proposed stalking horse bid and SISP in respect of the NSC Companies’;
  - (d) work with the Monitor to determine their interim financing requirements;
  - (e) negotiate the terms of a proposed interim credit facility with the proposed interim lender; and
  - (f) communicate with employees, shareholders and creditors with respect to their restructuring plans.
14. The NSC Companies require an extension of the Stay Period in order to allow them to work with the Monitor to further develop and seek court approval of a SISP, which will allow the NSC Companies to maximize the value of the assets of the business.
15. This, in turn, will allow the NSC Companies to further develop a plan to seek alternative markets for the NSC Companies’ various silica products to sustain ongoing operations in anticipation of a long-term recovery of the frac sand market.
16. Pursuing a SISP and identifying such markets will help to advance the interests of the stakeholders of the NSC Companies, including the remaining employees who will continue to be employed during the CCAA proceedings, the Secured Lenders, ATB Financial and other creditors of the NSC Companies. Having regard to the circumstances, I believe that the granting of an extension of the Stay Period to August 7, 2020 is necessary and in the best interests of the NSC Companies.
17. The Monitor and the Secured Lenders are supportive of the extension of the Stay Period sought by the NSC Companies.

**C. INTERIM FINANCING**

18. As identified above, in order to maximize the value of their assets, the NSC Companies have been working with their counsel and the Monitor to formulate a SISP.
19. The NSC Companies do not have adequate liquidity to continue the care and maintenance of their business or to implement the SISP, if approved, without interim financing and the related interim lender's charge contemplated by the Term Sheet (the "Interim Lender's Charge").
20. In particular, the NSC Companies have determined that they will experience sustained cash shortfalls beginning the week of July 27, 2020.
21. Having examined all available financial information, including the cash flow forecast (the "Cash Flow Forecast") prepared with the assistance of the Monitor and appended to the Pre-Filing Report of the Proposed Monitor dated June 29, 2020, filed in these proceedings (the "Pre-Filing Report"), the NSC Companies have determined that they will require interim financing during the proceedings in order to fund post-filing operations and expenses, including professional fees and anticipated sales agent costs.
22. The Interim Lender has agreed to provide interim financing to the NSC Companies pursuant to the Term Sheet.
23. The key financial terms set out in the Term Sheet include:
  - (a) a non-revolving super-priority interim financing facility (the "DIP Facility") in the maximum principal amount of CAD \$3 million;
  - (b) advances under the DIP Facility will be available to the NSC Companies as follows:
    - (i) an initial advance of \$800,000;
    - (ii) a subsequent advance of \$1,000,000;
    - (iii) a final advance up to the maximum principal amount;

(each an “Advance”).

- (c) the NSC Companies shall use each Advance solely for purposes described in a cash flow budget approved by the Interim Lender (the “Approved Cash Flow Budget”) and in accordance with Court orders granted in the CCAA proceeding, including the following purposes:
  - (i) to pay the reasonable and documented legal fees and expenses of the NSC Companies and any other retained advisors during the CCAA proceeding with the prior written consent of the Interim Lender;
  - (ii) to pay the reasonable fees and expenses of the Monitor and its legal counsel whether incurred before or after the filing date;
  - (iii) to pay the fees owing to the Interim Lender and its legal counsel under the Term Sheet and related documents whether incurred before or after the filing date;
  - (iv) to fund the general corporate and working capital requirements of the NSC Companies in a manner that is consistent with the Approved Cash Flow Budget and the Term Sheet;
  - (v) to pay pre-filing obligations to the extent any such payment is permitted by or pursuant to the amended and restated Initial Order, is consistent with the Approved Cash Flow Budget and is not contrary to the Term Sheet; and
  - (vi) to pay any other amounts as approved by the Interim Lender and in accordance with Court orders granted in the CCAA proceeding;
- (d) interest is payable on the outstanding principal amount at a rate of 5.0% per annum, compounded monthly;



- (e) all principal, fees, interest and other obligations shall be capitalized and shall become immediately due and payable on the earlier of (i) the maturity date, being December 10, 2020, or (ii) an event of default;
  - (f) the interest rate shall be increased by an additional 2.0% per annum upon the occurrence of an event of default;
  - (g) the effectiveness of the DIP Facility is conditional upon, among other things, this Court making an order granting the Interim Lender's Charge, to the satisfaction of the Interim Lender; and
  - (h) the NSC Companies shall provide the Interim Lender with certain security over all of their assets.
24. I believe that the interim financing will enhance the prospects for a viable restructuring being made in respect of the NSC Companies. Without interim financing, the NSC Companies will not have sufficient liquidity to provide for the continued care and maintenance of their assets or to fund these proceedings.
25. The Secured Lenders are major secured creditors of the NSC Companies. The Secured Lenders commenced this CCAA proceeding and are supportive of the intended path forward.
26. The Monitor is supportive of the Term Sheet and Interim Lender's Charge.
27. The NSC Companies are therefore seeking approval of the Term Sheet and the Interim Lender's Charge as a first ranking charge (subject only to the Administration Charge, the Directors' Charge, the ATB Security and any other Permitted Liens (as defined in the Term Sheet)) over the Property which is desirable to implement the SISF and assure the suppliers, employees, customers and other stakeholders of the NSC Companies that they will continue with the care and maintenance of the assets during the CCAA proceeding while working with the Monitor in order to implement and run a SISF.

**D. INCREASES TO THE ADMINISTRATION CHARGE AND DIRECTORS' CHARGE**

28. The Monitor, the Monitor's counsel, the NSC Companies' counsel and the NSC Companies' current directors and officers are essential to the NSC Companies' restructuring efforts. The NSC Companies believe that increases to the Administration Charge and the Directors' Charge are necessary to ensure the continued participation of such professionals in the CCAA process.
29. The Monitor has reviewed the quantum of the proposed increases to the Administration Charge and the Directors' Charge and is of the view that the increases are reasonable and appropriate in the circumstances.
30. Based on the Cash Flow Forecast the anticipated professional fees over the reporting period for the Monitor, its counsel, and the NSC Companies' counsel until August 7, 2020 are approximately \$305,000. Such professionals intend to invoice regularly so that the sum of their professional fees and disbursements due and owing will not exceed \$200,000 at any given time. The NSC Companies seek to increase the Administration Charge against the Property to the maximum amount of \$200,000 in order to secure such fees and disbursements.
31. The NSC Companies' directors and officers are essential to the NSC Companies' business and a successful restructuring. The restructuring process requires the participation of these important personnel.
32. The NSC Companies' directors and officers currently benefit from directors' and officers' insurance coverage up to an amount of \$5,000,000. However, this coverage may prove insufficient or subject to standard exclusions which could make it difficult to cover all potential liabilities that may arise in the CCAA proceeding.

33. The NSC Companies' directors and officers are concerned about the potential consequences for their personal liability that may arise in the context of the present restructuring.
34. Failure to offer additional protections to the directors and officers may result in resignations that would complicate the restructuring process.
35. The NSC Companies' directors and officers anticipate payroll exposure in the amount of \$67,300 up to August 7, 2020.
36. The Monitor has reviewed the assumptions upon which the NSC Companies have based their estimate of the potential liability in respect of the directors' and officers' statutory obligations, and is of the view that the amount of the Directors' Charge is reasonable in relation to the quantum of the estimated potential liability.
37. For the reasons set out above, the NSC Companies request that the Directors' Charge against the Property (subject only to the Administration Charge and the ATB Security) be increased to \$150,000.
38. I make this affidavit in support of the NSC Companies' application for an order amending and restating the Initial Order substantially in the form attached as Schedule "A" to the application filed concurrently with this affidavit.

Notary Public in and for Alberta

DAVID PRASOW, Q.C.  
BARRISTER, SOLICITOR,  
NOTARY PUBLIC

Jerrad Blanchard

Exhibit "A" to Affidavit of Jerrad Blanchard, sworn July 2, 2020

Notary Public in and for Alberta

DAVID PRASOW, Q.C.  
BARRISTER, SOLICITOR,  
NOTARY PUBLIC

**\$3,000,000.00**  
**INTERIM FINANCING FACILITY**  
**(Debtor-in-Possession)**

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WHEREAS the Borrowers (as defined below) have requested that the DIP Lender (as defined below) provide financing to the Borrowers during the pendency of the Borrowers' proceedings (the "**CCAA Proceedings**") under the *Companies' Creditors Arrangement Act* (Canada) (the "**CCAA**") to be commenced before the Alberta Court of Queen's Bench (Commercial List) (the "**Court**") and in accordance with the terms and conditions set out herein;

AND WHEREAS, the Applicants have requested DIP Lender provide interim financing during the CCAA Proceedings in order to fund certain obligations of the Borrowers and their affiliates in accordance with the terms set out in this term sheet (which, together with the Schedules, is referred to as this "**Term Sheet**") and the DIP Lender has agreed to do so on the terms and subject to the conditions set out in this Term Sheet, which upon execution by the Applicants shall become an enforceable agreement, subject to the satisfaction of the conditions precedent herein and the approval of the Court.

NOW THEREFORE, the parties, in consideration of the foregoing and the mutual agreements contained herein (the receipt and sufficiency of which are hereby acknowledged), agree as follows:

1. **Borrowers:** HCA Mountain Minerals (Moberly) Limited ("**Moberly**"), Custom Bulk Services Inc. ("**Custom Bulk**"), Heemskirk Canada Limited ("**Heemskirk Canada**") (each a "**Borrower**" and together, the "**Borrowers**").
2. **Guarantors:** Custom Bulk, Moberly, Heemskirk Canada, Northern Silica Corporation, Heemskirk Mining Pty. Ltd., and Heemskirk Canada Holdings Limited (each a "**Guarantor**" and collectively, the "**Guarantors**" and, together with the Borrowers, the "**Applicants**").
3. **Lender:** Vitreo Minerals Ltd. (the "**DIP Lender**").
4. **Defined Terms and Currency:** Unless otherwise defined herein, capitalized words and phrases used in this Term Sheet have the meanings given herein. Unless otherwise noted, all references to currency, "dollars" or "\$" shall refer to Canadian dollars.
5. **DIP Facility:** Up to \$3,000,000 (the "**Commitment**") provided by way of a non-revolving super-priority interim financing facility (collectively with Interest (as defined below), the "**DIP Facility**") in favour of the Borrowers for the purposes set out in Section 10. During the Term, the Borrowers may not re-borrow amounts under the DIP Facility that are repaid.
6. **Interest:** Interest payable under this Term Sheet (the "**Interest**") shall, subject to Section 7, be at the rate of five percent (5%) per annum calculated monthly until the indebtedness, obligations, covenants or liabilities owing by the Borrowers and the Guarantors to the DIP Lender under the DIP Facility, this Term Sheet, the Security Documents (as defined below), and all other instruments, agreements and documents from time to time executed and delivered to the DIP Lender in connection with this Term Sheet (collectively, the "**Loan Documents**"), including without limitation all principal, Interest, fees, indemnities and expenses

owing to the DIP Lender hereunder (collectively, the “**Obligations**”) are repaid in full and the DIP Facility is terminated. All accrued Interest shall be capitalized monthly to form part of the principal amounts owing under this Term Sheet and shall be payable in cash on the Maturity Date.

7. **Default Interest:** Interest rate shall be automatically increased by two percent (2%) per annum upon the occurrence and during the continuance of an Event of Default. Interest at this higher rate, shall be capitalized to form part of the principal amounts owing under this Term Sheet, and shall be payable on demand in cash.
8. **Withholding Tax:** All payments by an Applicant under the Loan Documents, including any payments required to be made from and after the exercise of any remedies available to the DIP Lender upon an Event of Default (as defined below), shall be made free and clear of, and without reduction for or on account of, any present or future taxes, levies, imposts, duties, charges, fees, deductions or withholdings of any kind or nature whatsoever or any interest or penalties payable with respect thereto now or in the future imposed, levied, collected, withheld or assessed by any country or any political subdivision of any country (collectively “**Taxes**”); provided, however, that if any Taxes are required by Applicable Law to be withheld (“**Withholding Taxes**”) from any amount payable to the DIP Lender under the Loan Documents, the amount so payable to the DIP Lender shall be increased to the extent necessary so that after making all required deductions, including deductions applicable to amounts payable under this section, the DIP Lender will receive an amount equal to the amount it would have received had no such deductions in respect of such Taxes been made, and the relevant Applicant shall provide evidence satisfactory to the DIP Lender that the Taxes have been so withheld and remitted.
9. **Expenses:** All of the reasonable professional fees, expenses and out-of-pocket costs incurred by the DIP Lender prior to closing shall be paid in full from the first advance under the DIP Facility to be made on closing and the Borrowers shall pay all such fees, costs and expenses incurred by the DIP Lender after closing within fifteen (15) days of presentment of the applicable invoice, in either case, including reasonable and documented legal expenses of the legal counsel for the DIP Lender in connection with the CCAA Proceedings, any plan of compromise and arrangement proposed or filed with the Court in the CCAA Proceedings (each a “**CCAA Plan**”), any SISP (as defined below) and any SISP Order (as defined below), and the on-going monitoring, administration and enforcement of the DIP Facility.
10. **Availability & Permitted Payments:** The Borrower shall use advances under the DIP Facility (each an “**Advance**”) solely for the following purposes, in each case in accordance with the CCAA Orders and the cash flow budget approved by the DIP Lender that is attached hereto as Schedule A (the “**Approved Cash Flow Budget**”):
  - (a) to pay the reasonable and documented legal fees and expenses of the Applicants during the CCAA Proceedings and the reasonable and documented fees and expenses of any other

advisors retained by the Applicants during the CCAA Proceeding with the prior written consent of the DIP Lender;

- (b) to pay the reasonable fees and expenses of the Monitor and its legal counsel whether incurred before or after the filing date;
- (c) to pay the fees owing to the DIP Lender and its legal counsel under this Term Sheet and the other Loan Documents whether incurred before or after the filing date;
- (d) to fund the general corporate and working capital requirements of the Borrowers and Guarantors in a manner that is consistent with the Approved Cash Flow Budget and this Term Sheet;
- (e) to pay pre-filing obligations to the extent any such payment is permitted by or pursuant to the DIP Approval Order, is consistent with the Approved Cash Flow Budget and is not contrary to this Term Sheet; and
- (f) to pay any other amount as approved by the DIP Lender.

A Cash Flow Budget shall only constitute the “**Approved Cash Flow Budget**” when it is approved via email by the DIP Lender. For the avoidance of doubt the Approved Cash Flow Budget in force at any time shall be the most recent Cash Flow Budget approved by the DIP Lender.

#### 11. **Advances:**

So long as the Funding Conditions have been satisfied or waived, the Borrowers shall be permitted obtain Advances provided that:

- (a) the initial Advance shall be for a minimum aggregate amount of \$800,000 and a maximum aggregate amount of \$1,000,000 (the “**Initial Advance**”);
- (b) the subsequent Advance shall be for a maximum aggregate amount of \$1,000,000 (the “**Second Advance**”);
- (c) the final Advance shall be for a maximum aggregate amount of up to the balance of the Commitment (the “**Final Advance**”);
- (d) the aggregate of all Advances shall at no time exceed the Maximum Amount;
- (e) all Advances shall be made to one or more accounts of a Borrower (or the Borrowers) as set out in Schedule E as indicated by the Borrower in the Advance Request or to such other account as the Borrowers with the financial institution as identified by the Borrowers by notice to the DIP Lender and as approved by the DIP Lender, acting reasonably, for the purposes of making Advances under the DIP Facility (collectively, the “**Funding Accounts**”), and

the Borrowers shall provide the DIP Lender with no less than five (5) Business Days prior written notice requesting an Advance,



substantially in the form of the advance request set out on Schedule B (an “**Advance Request**”), setting out the amount of the Advance being requested, the proposed date of the Advance, and the relevant Funding Account(s), and certifying that (i) no Event of Default then exists and is continuing or would result therefrom and (ii) that the use of proceeds of such Advance will comply with the Approved Cash Flow Budget.

In this Term Sheet, “**Business Day**” means any day other than a Saturday, Sunday or any other day in which banks in Calgary, Alberta or Toronto, Ontario are not open for business.

**12. Initial Conditions:**

The Commitment and the DIP Facility shall become effective on the satisfaction of each of the following conditions precedent (collectively, the “**Initial Conditions**”):

- (a) the Applicants shall have fully executed and delivered this Term Sheet and all other Loan Documents;
- (b) the Borrowers shall have filed an application with the Court, in form and substance satisfactory to the DIP Lender, acting reasonably, seeking the approval of this Term Sheet, the DIP Facility and a court-ordered charge over all of the Property (as defined below) in favour of the DIP Lender (the “**DIP Charge**”) for an amount up to \$3,500,000, which amount includes the DIP Facility together with Interest that is capitalized pursuant to Section 6, together with all unpaid Interest, fees, costs and expenses payable under this Term Sheet on terms and conditions satisfactory to the DIP Lender, acting reasonably, and providing not less than five (5) full days’ notice to all secured parties who may be affected by the DIP Charge as determined by the DIP Lender;
- (c) the Court shall have granted an order (the “**DIP Approval Order**”) in form and substance satisfactory to the DIP Lender acting reasonably pursuant to the CCAA, (i) approving the Term Sheet and the DIP Facility, (ii) granting a DIP Charge ranking in priority to all liens, security interests, mortgages and encumbrances except for the Permitted Priority Liens (as defined below), (iii) authorizing the Borrowers and Guarantors to execute and deliver such other documentation reasonably required by the DIP Lender; and
- (d) the DIP Lender shall be satisfied, acting reasonably, with the form and substance of the initial Order and the amended and restated initial Order made in accordance with the CCAA granting the stay of proceedings and other relief (the “**Initial CCAA Orders**”).

**13. Funding conditions:**

The DIP Lender’s obligation to make advances under the DIP Facility is subject to the satisfaction of the conditions precedent set out below (collectively, the “**Funding Conditions**”):

- (a) the Initial Conditions shall have been satisfied or waived by the

DIP Lender and shall continue to be satisfied or waived by the DIP Lender;

- (b) all reasonable and documented expenses of the DIP Lender incurred in connection with the DIP Facility and the CCAA Proceedings, including the reasonable fees and expenses of counsel to the DIP Lender shall have been paid in full as and to the extent required under Section 9 (which expenses may be deducted from any Advance); and
- (c) none of the Initial CCAA Orders nor any other CCAA Proceedings-related order shall have been appealed, terminated, stayed, amended, vacated or otherwise revised in a manner that is materially adverse to the interests of the DIP Lender except to the extent consented to by the DIP Lender;
- (d) by no later than August 7, 2020, the Court shall have granted an Order (the “**SISP Order**”) approving a sale and investor solicitation process (a “**SISP**”), in form and substance acceptable to the DIP Lender; and
- (e) the Borrowers shall have implemented the successful bid obtained through a SISP by no later than December 1, 2020.

The Funding Conditions are for the sole benefit of the DIP Lender and may be waived by the DIP Lender in whole or in part with or without terms or conditions, in respect of all or any portion of an Advance, without affecting the right of the DIP Lender to assert such terms and conditions in whole or in part in respect of any other Advance.

**14. Maturity Date:**

The DIP Facility shall become effective upon the satisfaction or waiver of the Initial Conditions and shall be available, subject to the satisfaction or waiver of the Funding Conditions, until the earlier of (such date being the “**Maturity Date**” and the period between the DIP Facility becoming effective and the Maturity Date, the “**Term**”): (a) December 10, 2020; and (b) the termination of the CCAA Proceedings. Effective on the Maturity Date, the DIP Facility and the Commitment shall terminate and the Obligations (including all unpaid Interest) shall become immediately due and payable without any further notice or actions by the DIP Lender.

**15. Repayment:**

All principal, fees and Interest and all other Obligations shall become immediately due and payable on the earlier of the occurrence of an Event of Default and the Maturity Date.

**16. Security:**

The Applicants shall furnish the DIP Lender:

- (a) the DIP Charge over all of the present and after acquired property, assets, and undertaking, wherever located, of the Borrowers and the Guarantors (collectively, the “**Property**”);
- (b) mortgages over:
  - (i) the real property of Custom Bulk located at 920 Fleming

Avenue, Penhold, Alberta, T0M 1R0 with Title Number 972 302 794 and legally described as Plan 9120596, Lot 7, excepting thereout all mines and minerals (the "**Penhold Property 1**");

- (ii) the real property of Custom Bulk located at 920 Fleming Avenue, Penhold, Alberta, T0M 1R0 with Title Number 972 302 793 and legally described as Plan 8020947, Lot 2, excepting thereout all mines and minerals (the "**Penhold Property 2**" and, together with Penhold Property 1, the "**Penhold Properties**");
- (iii) the real property of Heemskirk Holdings located at 1725 Blaeberry River Road East, Golden, British Columbia, V0A 1H1 with Title Number CA3503445 and legally described as Parcel Identifier: 029-224-861, Lot A Section 29 Township 28 Range 22 West of the 5th Meridian Kootenay District Plan EPP30862; and
- (iv) the mineral claims, leases and permits of Moberly including but not limited to: 110222781, 344488, 213089, 213090, 213099, 213195, 338588, 576995, 1070999, M-181, PA-05907, PE-06985, CL 63763, 2013-20, 2012-00570;

(collectively, the "**Mortgages**" and together with the DIP Charge, the "**Security**"); and

(c) at the reasonable request of the DIP Lender from time to time:

- (i) with certificates or other evidence satisfactory to the DIP Lender evidencing that the Applicants continue to maintain policies of insurance issued by insurers of recognized standing insuring the Property and operations of the Applicants and providing such coverage as would be maintained by similar businesses in the localities where the Property and operations are located, and shall add the DIP Lender as loss payees, additional insured and mortgagees, as its interests may appear;
- (ii) debentures and other security agreements granting mortgages, charges, liens, encumbrances and security interests (collectively, the "**Security Interests**" and each a "**Security Interest**") in favour of the DIP Lender as security for the Obligations, in form and substance acceptable to the DIP Lender; and
- (iii) all such instruments, agreements, and certificates and provide such further assurances as the DIP Lender may reasonably request from time to time to ensure that the priority of such Security is duly protected and perfected by registration, filing or recordation of such security or a caution, caveat, security notice or other appropriate instrument at all offices where necessary or of advantage to the protection or

perfection thereof and to cooperate with the DIP Lender and the DIP Lender's counsel in renewing or refiling any registration, filing or recordation required hereby in order to preserve, protect and maintain the priority of such Security and the Security Interests, from time to time;

(all such security documents being collectively referred to as the "**Security Documents**").

17. **Priority and Permitted Liens:**

The DIP Charge shall have the following priority (the "**DIP Priority**"):

- (a) the DIP Charge shall constitute a first ranking super priority court ordered charge over all of the Property subordinate only to the following limited permitted senior claims ("**Permitted Priority Liens**"):
  - (i) an Administration Charge in the amount of not more than \$200,000 to secure the unpaid fees and expenses of the legal counsel for the Borrowers and Guarantors, the Monitor (as defined below) and the Monitor's legal counsel,
  - (ii) a Directors' Charge in the amount of not more than \$150,000 to secure the indemnity of the directors of the Borrowers and the Guarantors granted in the Initial CCAA Orders,
  - (iii) a Sales Charge in the amount of not more than \$150,000 to secure the fees and disbursements of any sales agent appointed in the CCAA Proceedings;
  - (iv) any priority employee claims under sections 81.3 and 81.4 of the *Bankruptcy and Insolvency Act*;
  - (v) source deductions for employee taxes, Canada Pension Plan and Employment Insurance contributions;
  - (vi) the mortgages over the Penhold Properties in existence as at the filing date in favour of ATB Financial (or an affiliate or predecessor thereof) in respect of the Penhold Properties in a principal amount of not more than \$1.3 million; and
  - (vii) personal property security in existence as at the filing date in favour of ATB Financial (or an affiliate or predecessor thereof) solely with respect to Custom Bulk.
- (b) "**Permitted Liens**" mean the: (i) the Permitted Priority Liens, (ii) the DIP Charge and other Security, (iii) other liens and charges created under the Initial CCAA Orders or any other order of the Court that rank subsequent in priority to the DIP Charge; (iv) validly perfected liens existing as of the date hereof; and (v) statutory (including, without limitation, construction liens and builders liens) or inchoate liens arising in the ordinary course of business of the Borrowers and the Guarantors.

18. **Covenants:** During the Term and so long as the Obligations remain outstanding, the Applicants covenant and agree in favour of the DIP Lender to comply with the affirmative and negative covenants listed in Schedule C hereto.
19. **Events of Default:** The occurrence of any one or more of the events listed in Schedule D hereto shall constitute an event of default (each an “**Event of Default**”) under this Term Sheet.
20. **Remedies:** Upon the occurrence and during the continuance of an Event of Default, the DIP Lender may (i) immediately terminate the Commitment and the DIP Facility; (ii) declare the Obligations to be immediately due and payable; and (iii) on notice to the Applicants and the Monitor:
- (a) apply to the Court for leave to exercise any and all of the rights and remedies of the DIP Lender against the Applicants or the Property under or pursuant to this Term Sheet, the other Loan Documents and the DIP Charge, including without limitation for the appointment of a receiver, receiver and manager or interim receiver, or for a bankruptcy order against one or more of the Applicants and for the appointment of a trustee in bankruptcy of one or more of the Applicants;
  - (b) subject to approval of the Court, set-off or consolidate any amounts then owing by the DIP Lender to an Applicant against the Obligations; and
  - (c) exercise all such other rights and remedies under Applicable Law.
- The rights, powers and remedies under this Term Sheet, the other Loan Documents and the DIP Charge are cumulative and are in addition to and not in substitution for any other rights, powers and remedies available at law or in equity or otherwise. No single or partial exercise by the DIP Lender of any right, power or remedy precludes or otherwise affects the exercise of any other right, power or remedy to which the DIP Lender may be entitled.
21. **Indemnity & Release:** Each of the Applicants agree to indemnify and hold harmless each of the DIP Lender and its directors, officers, employees, advisors and agents (all such persons and entities being referred to hereafter as “**Indemnified Persons**”) from and against any and all actions, suits, proceedings, claims, losses, damages and liabilities of any kind or nature whatsoever (excluding indirect or consequential damages and claims for lost profits) which may be incurred by or asserted against any Indemnified Person as a result of or arising out of or in any way related to the DIP Facility or any Loan Document and, upon demand, to pay and reimburse any Indemnified Person for any reasonable legal or other out-of-pocket expenses incurred in connection with investigating, defending or preparing to defend any such action, suit, proceeding or claim; provided, however, none of the Applicants shall be obligated to indemnify any Indemnified Person against any loss, claim, damage, expense or liability (x) to the extent it resulted from the

gross negligence, wilful misconduct or intentional breach of such Indemnified Person as finally determined by a court of competent jurisdiction, or (y) to the extent arising from any dispute solely among Indemnified Persons other than any claims arising out of any act or omission on the part of the Applicant. The Applicant shall not be responsible or liable to any Indemnified Person or any other person for loss of profits or punitive damages.

22. **Lender's Approvals:**

Any consent, agreement, amendment, approval, waiver or instruction of the DIP Lender to be delivered hereunder, may be delivered by any written instrument, including by way of electronic mail, by the DIP Lender or by counsel on behalf of the DIP Lender.

23. **Further Assurances:**

The Applicants shall, at their expense, from time to time do, execute and deliver, or will cause to be done, executed and delivered, all such further acts, registrations, filings, recordings, documents and things as the DIP Lender may reasonably request for the purpose of giving effect to this Term Sheet, any other Loan Document and the DIP Charge.

24. **Interest Compliance:**

All interest and fees payable under this Term Sheet or in connection with the DIP Facility shall be computed on the basis of a year of 365 days, provided that whenever a rate of interest or fee hereunder is calculated on the basis of a year (the "**deemed year**") that contains fewer days than the actual number of days in the calendar year of calculation, such rate of interest or fee rate shall be expressed as a yearly rate by multiplying such rate of interest or fee by the actual number of days in the calendar year of calculation and dividing it by the number of days in the deemed year.

The parties shall comply with the following provisions to ensure that no receipt by the DIP Lender of any payments under this Term Sheet would result in a breach of section 347 of the *Criminal Code* (Canada):

(a) if any provision of this Term Sheet would obligate any Applicant (or any Applicants) to make any payment to the DIP Lender of an amount that constitutes "interest", as such term is defined in the *Criminal Code* (Canada) and referred to in this section as "**Criminal Code Interest**", which would result in the receipt by the DIP Lender of Criminal Code Interest at a criminal rate (as defined in the *Criminal Code* (Canada) and referred to in this section as a "**Criminal Rate**"), then, notwithstanding such provision, that amount or rate shall be deemed to have been adjusted with retroactive effect to the maximum amount or rate of interest, as the case may be, as would not result in the receipt by the DIP Lender of Criminal Code Interest at a Criminal Rate, and the adjustment shall be effected, to the extent necessary, as follows:

- (i) *first*, by reducing the amount or rate of interest required to be paid to the DIP Facility; and
- (ii) *thereafter*, by reducing any other amounts (other than costs and expenses) (if any) required to be paid to the DIP Lender

which would constitute Criminal Code Interest.

- (b) any amount or rate of Criminal Code Interest referred to in this section shall be calculated and determined in accordance with generally accepted actuarial practices and principles as an effective annual rate of interest over the term that any portion of the Advances remain outstanding on the assumption that any charges, fees or expenses that constitute Criminal Code Interest shall be *pro-rated* over the period commencing on the date of an Advance and ending on the Maturity Date.

- 25. **Entire Agreement:** This Term Sheet and the other Loan Documents constitute the entire agreement between the parties pertaining to the subject matter thereof and supersede all prior agreements, understandings, negotiations and discussions, whether oral or written, of the parties, and there are no representations, warranties or other agreements between the parties in connection with the subject matter thereof except as specifically set out herein and therein. None of the Applicants have been induced to enter into this Term Sheet or any other Loan Document in reliance on, and there will be no liability assessed, either in tort or contract, with respect to, any warranty, representation, opinion, advice or assertion of fact, except to the extent it has been reduced to writing and included as a term in this Term Sheet or in any of the other Loan Document.
- 26. **Amendments, Waivers & Consents:** No amendment, discharge, modification, restatement, supplement, termination or waiver of this Term Sheet or any provision hereof is binding unless it is in writing and executed by the DIP Lender. No waiver of, failure to exercise, or delay in exercising, any provision of this Term Sheet constitutes a waiver of any other provision (whether or not similar) nor does any waiver constitute a continuing waiver unless otherwise expressly provided. No approval, consent or permission on the part of the DIP Lender in exercising any right or privilege under any Loan Document will operate as an approval, consent or permission hereof or thereof unless made in writing by the DIP Lender and delivered in accordance with the terms of this Term Sheet, and then such approval, consent or permission shall be effective only in the specific instance and for the specific purpose given. Unless otherwise stated in this Term Sheet, the granting of any approval, consent or permission by the DIP Lender shall be in the DIP Lender's sole and absolute discretion.
- 27. **Assignment:** The DIP Lender may, without notice or consent of the Borrowers, assign all or part of its interest in the Loan Documents, the Obligations and the DIP Charge in whole or in part to any individual, partnership, corporation, business trust, joint stock company, limited liability company, unlimited liability company, trust, unincorporated association, joint venture, Governmental Authority or other entity of whatever nature (each a "**Person**"). Neither this Term Sheet, any other Loan Document nor any right or obligation hereunder or thereunder may be assigned by the Borrowers or any other Applicants. Notwithstanding the foregoing, no assignment or grant of participation interests by the DIP Lender shall include any right of the

DIP Lender to provide its approval or consent hereunder.

28. **Severability:** Any provision in this Term Sheet which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof or affecting the validity or enforceability of such provision in any other jurisdiction.
29. **No Third Party Beneficiary:** No Person, other than the Applicants, the DIP Lender and the Indemnified Parties, is entitled to rely upon this Term Sheet or the other Loan Document and the parties expressly agree that this Term Sheet and the other Loan Documents do not confer rights upon any other party.
30. **Counterparts and Electronic Signatures:** This Term Sheet may be executed in any number of counterparts and by email or other electronic transmission including "pdf email", each of which when executed and delivered shall be deemed to be an original, and all of which when taken together shall constitute one and the same instrument.
31. **Notices:** Any notice, request or other communication hereunder to any of the parties shall be in writing and be well and sufficiently given if delivered personally or sent by electronic mail to the such Person at its address set out on its signature page hereof. Any such notice, request or other communication hereunder shall be concurrently sent to the Monitor (as defined below) and its counsel.
- Any such notice shall be deemed to be given and received when received, unless received after 5:00 Mountain Time or on a day other than a Business Day, in which case the notice shall be deemed to be received the next Business Day.
32. **CCAA Monitor:** Alvarez & Marsal Canada Inc. shall be appointed Monitor (the "**Monitor**") by the Court.
33. **Currency:** If any payment is received by the DIP Lender in a currency other than dollars, or, if for the purposes of obtaining judgment in any court it is necessary to convert a sum due in one currency (the "**Original Currency**") into another currency (the "**Other Currency**"), the Applicants agree that the rate of exchange used shall be the rate at which the DIP Lender is able to purchase the Original Currency with the Other Currency after any premium and costs of exchange on the Business Day preceding that on which such payment is to be made or final judgment is given.
34. **Joint & Several Liability:** Each of the Borrowers acknowledge and agree that its obligations and liabilities under this Term Sheet and each other Loan Document are joint and several with the other Borrowers. Each of the Guarantors acknowledge and agree that its obligations and liabilities under this Term Sheet and each other Loan Document are joint and several with the other Guarantors.



35. **Rules of Interpretation:**

- (a) References in this Term Sheet to Sections and Schedules mean to sections of and schedules to this Term Sheet;
- (b) In this Term Sheet, words signifying the singular number include the plural and vice versa, and words signifying gender include all genders. Every use of the words "including" or "includes" in this Term Sheet is to be construed as meaning "including, without limitation" or "includes, without limitation", respectively;
- (c) The division of this Term Sheet into Sections and the insertion of headings are for convenience of reference only and do not affect the construction or interpretation of this Term Sheet;
- (d) Unless otherwise specified in this Term Sheet, a time period within which or following which any calculation or payment is to be made, or action is to be taken, will be calculated by excluding the day on which the period begins and including the day on which the period ends. If the last day of a time period is not a Business Day, the time period will end on the next Business Day;
- (e) Wherever reference is made in this Term Sheet to a calculation to be made in accordance with IFRS, the reference is to the generally accepted accounting principles in Canada, applied on a consistent basis, and statements and interpretations (if applicable) issued by the Canadian Institute of Chartered Accountants or any successor body from time to time, including International Financial Reporting Standards;
- (f) Time is of the essence in all respects in this Term Sheet;
- (g) Unless otherwise specified in this Term Sheet, any reference to any statute includes all regulations and subordinate legislation made under or in connection with that statute at any time, and is to be construed as a reference to that statute as amended, modified, restated, supplemented, extended, re-enacted, replaced or superseded at any time; and
- (h) This Term Sheet enures to the benefit of and is binding upon the parties and their respective successors and permitted assigns.

36. **Press Releases:**

Except as required to comply with applicable law, if any Applicant intends to issue a press release naming or discussing the DIP Lender or relating to the DIP Facility, such Applicant shall obtain the prior approval of the DIP Lender to such press release, which approval shall not be unreasonably withheld, conditioned or delayed.

37. **Governing Law & Jurisdiction:**

This Term Sheet shall be governed by, and construed in accordance with, the laws of the Province of Alberta and the federal laws of Canada applicable therein, and the parties irrevocably attorn to the non-exclusive jurisdiction of the courts of the Province of Alberta.

**[Signature pages follow]**

IN WITNESS WHEREOF, the parties hereto have caused this Term Sheet to be duly executed by their respective authorized officers as of \_\_\_\_ day of July, 2020.

**DIP Lender:**

**VITREO MINERALS LTD.**

**Notice Address:**

**Per:**

Attention:

\_\_\_\_\_  
Name: Peter Briggs

Name: Peter Briggs

Title: Director

Email Address:

pbriggs@taurusfunds.com.au

Title: Director

**Borrowers:**

**CUSTOM BULK SERVICES INC.**

**Notice Address:**

Attention: Custom Bulk Services

Per:

Name: Jerrad Blanchard  
Title: Chief Financial Officer  
Email: jblanchard@northernsilica.com

---

Name: Jerrad Blanchard  
Title: Chief Financial Officer

**HCA MOUNTAIN MINERALS (MOBERLY)  
LIMITED**

**Notice Address:**

Attention: HCA Mountain Minerals  
(Moberly) Limited

Per:

Name: Jerrad Blanchard  
Title: Chief Financial Officer  
Email: jblanchard@northernsilica.com

---

Name: Jerrad Blanchard  
Title: Chief Financial Officer

**NORTHERN SILICA CORPORATION**

**Notice Address:**

Attention: Northern Silica Corporation

Per:

Name: Jerrad Blanchard  
Title: Chief Financial Officer  
Email: jblanchard@northernsilica.com

---

Name: Jerrad Blanchard  
Title: Chief Financial Officer

**Guarantors:**

**CUSTOM BULK SERVICES INC.**

**Notice Address:**

Attention: Custom Bulk Services Inc.

Per:

Name: Jerrad Blanchard  
Title: Chief Financial Officer  
Email: jblanchard@northernsilica.com

---

Name: Jerrad Blanchard  
Title: Chief Financial Officer

**HCA MOUNTAIN MINERALS (MOBERLY) LIMITED**

**Notice Address:**

Per:

Attention: HCA Mountain Minerals  
(Moberly) Limited

Name: Jerrad Blanchard  
Title: Chief Financial Officer  
Email: jblanchard@northernsilica.com

---

Name: Jerrad Blanchard  
Title: Chief Financial Officer

**NORTHERN SILICA CORPORATION**

**Notice Address:**

Attention: Northern Silica Corporation

Per:

Name: Jerrad Blanchard  
Title: Chief Financial Officer  
Email: jblanchard@northernsilica.com

---

Name: Jerrad Blanchard  
Title: Chief Financial Officer

**HEEMSKIRK MINING PTY LTD.**

**Notice Address:**

Attention: Northern Silica Corporation

Per:

Name: Jerrad Blanchard  
Title: Chief Financial Officer  
Email: jblanchard@northernsilica.com

---

Name: Martin Boland  
Title: Director

## HEEMSKIRK CANADA LIMITED

**Notice Address:**

Attention: Heemskirk Canada Limited

Name: Jerrad Blanchard

Title: Chief Financial Officer

Email: jblanchard@northernsilica.com

Per:

---

Name: Jerrad Blanchard

Title: Chief Financial Officer

## HEEMSKIRK CANADA HOLDINGS LIMITED

**Notice Address:**

Attention: Heemskirk Canada Holdings  
Limited

Name: Jerrad Blanchard

Title: Chief Financial Officer

Email: jblanchard@northernsilica.com

Per:

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Name: Jerrad Blanchard

Title: Chief Financial Officer

**Schedule A**  
**APPROVED CASH FLOW BUDGET**

See attached.

Northern Silica Corporation			13-Week Cash Flow Forecast ending September 25, 2020														SCAD	
	Week 1	Week 2	Week 3	Week 4	Week 5	Week 6	Week 7	Week 8	Week 9	Week 10	Week 11	Week 12	Week 13	13-week	Notes			
	3-Jul-20	10-Jul-20	17-Jul-20	24-Jul-20	31-Jul-20	7-Aug-20	14-Aug-20	21-Aug-20	28-Aug-20	4-Sep-20	11-Sep-20	18-Sep-20	25-Sep-20	Total				
Cash Receipts																		
Rental Income	\$ 11,500	\$ -	\$ -	\$ -	\$ 12,000	\$ -	\$ -	\$ -	\$ 12,000	\$ -	\$ -	\$ -	\$ -	\$ 35,500	1			
Miscellaneous	285,000	22,425	-	42,186	25,000	-	-	42,186	-	7,500	-	42,186	-	466,483	2			
	<u>\$ 296,500</u>	<u>\$ 22,425</u>	<u>\$ -</u>	<u>\$ 42,186</u>	<u>\$ 37,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 42,186</u>	<u>\$ 12,000</u>	<u>\$ 7,500</u>	<u>\$ -</u>	<u>\$ 42,186</u>	<u>\$ -</u>	<u>\$ 501,983</u>				
Cash Disbursements																		
Salaries & Wages	\$ (67,301)	\$ -	\$ (66,981)	\$ -	\$ (66,981)	\$ -	\$ (66,867)	\$ -	\$ (66,867)	\$ -	\$ (25,092)	\$ (41,775)	\$ (25,092)	\$ (426,956)	3			
General & Administrative	(49,369)	(7,655)	(74,654)	(26,643)	(152,355)	(6,513)	(7,146)	(35,651)	(108,451)	(21,413)	(5,990)	(36,807)	(6,690)	\$ (539,332)	4			
Capital Expenditures	-	-	-	-	(60,000)	-	-	-	(30,000)	-	-	-	-	\$ (90,000)	5			
Contingency	-	-	-	-	(50,000)	-	-	-	(50,000)	-	-	-	(50,000)	\$ (150,000)	6			
Restructuring Professional Fees and Costs	-	-	-	-	(305,000)	-	-	-	-	(155,000)	-	-	(160,000)	\$ (620,000)	7			
	<u>(116,669)</u>	<u>(7,655)</u>	<u>(141,635)</u>	<u>(26,643)</u>	<u>(634,336)</u>	<u>(6,513)</u>	<u>(74,012)</u>	<u>(35,651)</u>	<u>(255,318)</u>	<u>(176,413)</u>	<u>(31,082)</u>	<u>(78,582)</u>	<u>(241,782)</u>	<u>(1,826,288)</u>				
Net Cash Flow	<u>\$ 179,831</u>	<u>\$ 14,771</u>	<u>\$ (141,635)</u>	<u>\$ 15,544</u>	<u>\$ (597,336)</u>	<u>\$ (6,513)</u>	<u>\$ (74,012)</u>	<u>\$ 6,536</u>	<u>\$ (243,318)</u>	<u>\$ (168,913)</u>	<u>\$ (31,082)</u>	<u>\$ (36,396)</u>	<u>\$ (241,782)</u>	<u>\$ (1,324,305)</u>				
Opening Cash																		
Net cash flow	\$ 157,761	\$ 337,592	\$ 352,362	\$ 210,727	\$ 226,271	\$ 428,935	\$ 422,422	\$ 348,410	\$ 354,945	\$ 111,628	\$ 342,715	\$ 311,633	\$ 275,238	\$ 157,761				
Proposed Interim Financing Advance/Payment	179,831	14,771	(141,635)	15,544	(597,336)	(6,513)	(74,012)	6,536	(243,318)	(168,913)	(31,082)	(36,396)	(241,782)	(1,324,305)				
Ending Cash	<u>\$ 337,592</u>	<u>\$ 352,362</u>	<u>\$ 210,727</u>	<u>\$ 226,271</u>	<u>\$ 428,935</u>	<u>\$ 422,422</u>	<u>\$ 348,410</u>	<u>\$ 354,945</u>	<u>\$ 111,628</u>	<u>\$ 342,715</u>	<u>\$ 311,633</u>	<u>\$ 275,238</u>	<u>\$ 33,456</u>	<u>\$ 33,456</u>				
Proposed Interim Facility																		
Proposed Interim Facility - opening availability	\$ 3,000,000	\$ 3,000,000	\$ 3,000,000	\$ 3,000,000	\$ 3,000,000	\$ 2,200,000	\$ 2,200,000	\$ 2,200,000	\$ 2,200,000	\$ 2,200,000	\$ 1,800,000	\$ 1,800,000	\$ 1,800,000	\$ 3,000,000				
(Advance) / Payment	-	-	-	-	(800,000)	-	-	-	-	(400,000)	-	-	-	(1,200,000)				
Proposed Interim Facility - ending availability	<u>\$ 3,000,000</u>	<u>\$ 3,000,000</u>	<u>\$ 3,000,000</u>	<u>\$ 3,000,000</u>	<u>\$ 2,200,000</u>	<u>\$ 2,200,000</u>	<u>\$ 2,200,000</u>	<u>\$ 2,200,000</u>	<u>\$ 2,200,000</u>	<u>\$ 1,800,000</u>	<u>\$ 1,800,000</u>	<u>\$ 1,800,000</u>	<u>\$ 1,800,000</u>	<u>\$ 1,800,000</u>				

UNAUDITED CASH FLOW FORECAST PREPARED BY MANAGEMENT, MUST BE READ IN CONJUNCTION WITH THE NOTES AND ASSUMPTIONS

**Northern Silica Corporation****13-Week Cash Flow Forecast ending September 25, 2020****Notes****Notice to Reader**

The 13-week cash flow projection for Northern Silica Corporation, Heemskirk Mining Pty. Ltd., Custom Bulk Services Inc., Heemskirk Canada Limited, Heemskirk Canada Holdings Limited and HCA Mountain Minerals (Moberly) Limited (collectively, the "NSC Companies") has been prepared by Management based on unaudited financial information and Management's estimates of projected receipts and disbursements for the period June 30, 2020 to September 25, 2020, inclusive. Users are cautioned that, since estimates are based on future events and conditions that are not ascertainable, the actual results achieved will vary, even if the assumptions materialize, and such variations may be material. There are no representations, warranties or other assurances that any of the estimates, forecasts, or projections will be realized.

The projection assumes that the NSC Companies will be granted relief pursuant to the Companies' Creditors Arrangement Act ("CCAA") on June 30, 2020.

<b>Overall</b>	<p>The cash flow forecast includes all the Canadian operating entities. Specifically, the operating entities are Custom Bulk Services Inc. and HCA Mountain Minerals (Moberly) Limited. The corporate entities are Heemskirk Canada Limited, which consolidates up into Northern Silica Corporation.</p> <p>Key overall assumptions are as follows: (a) the CCAA filing date is June 30, 2020 (b) the cash flow forecast is for a 13-week period; however, the duration of the CCAA proceedings are estimated to be four months with an estimated end date of October 30, 2020; (c) the NSC Companies are non-operational and all outgoing cashflow is relating to the conservation of the NSC Companies' assets while in care and maintenance mode, while seeking to restructure under the CCAA.</p>
<b>1</b>	The rental income relates to the NSC Companies providing storage to third parties using the NSC Companies' storage facilities located in Penhold, Alberta.
<b>2</b>	Miscellaneous receipts are made up of; (a) payment on an insurance claim made by management regarding an incident that occurred at their facility in Moberly, BC. Payment is expected to be received in the week ending July 3, 2020; (b) government subsidies in relation to the Canada Emergency Wage Subsidy (CEWS) that has been enacted due to the Covid-19 pandemic and is based on a headcount of 13 employees (c) net GST returns from the Canada Revenue Agency as the Company is non-operational and is in a credit position from disbursements outweighing any receipts
<b>3</b>	Salaries and wages includes both salary and hourly employees. There are 6 salaried employees that are paid twice monthly and 7 hourly employees, which are paid bi-weekly.
<b>4</b>	General & administrative expenses relate to: (a) payments on the ATB mortgage relating to the storage facility in Penhold, Alberta; (b) utilities for the storage facility in Penhold, AB; (c) insurance payments on both the corporate insurance and D&O (d) legal fees for corporate counsel; (e) amounts payable to Telus and Shaw for internet and phone; (f) travel to and from the Moberly mine in Golden, BC and/or travel to the storage facility in Penhold, AB with management being located primarily in Calgary, AB; (g) hosting services provided by Lanetco for the Company accounting software; (h) benefits and RRSP contributions payable to Manulife
<b>5</b>	Capital expenditures relates to the following: (a) completing electrical work required to finish storage sheds; (b) testing silica for purposes of finding alternate end products; (c) industrial market research for silica product to be used elsewhere
<b>6</b>	A contingency of \$50,000 per month has been included in the forecast to cover any unforeseen expenditures.
<b>7</b>	Restructuring professional fees and costs relate to the costs incurred in relation to the CCAA proceedings. These costs include the Company's legal fees and costs, the Proposed Monitor's and its independent legal counsels professional fees and costs.



## Schedule B – Advance Request

### FORM OF ADVANCE REQUEST

**TO: Vitreo Minerals Ltd. as DIP Lender**

Reference is made to that certain Term Sheet among Custom Bulk Services Inc. (“**Custom Bulk**”), HCA Mountain Minerals (Moberly) Limited (“**Moberly**”), and Northern Silica Corporation (“**NSC**”) as Borrowers, Custom Bulk, Moberly, NSC, Heemskirk Mining Pty. Ltd., Heemskirk Canada Limited, and Heemskirk Canada Holdings Limited as Guarantors, and Vitreo Minerals Ltd. as lender dated as of July 3, 2020 (the “**Term Sheet**”, with capitalized terms used herein and not otherwise defined have the meanings given to them in the Term Sheet).

The Borrowers hereby give irrevocable notice pursuant to the terms of the Term Sheet for the proposed Advance as follows:

The proposed Advance is the **[[Initial]/[Second]/[Final]]** Advance.

The date of the proposed Advance is: ●, 2020.

The aggregate amount of the Advance is: \$ ●

The proposed Advance shall be deposited into the following Funding Account(s) set out in Exhibit A hereto.

The Borrowers hereby jointly and severally certify that:

- (i) all of the covenants of the Applicants contained in the Term Sheet have been complied with;
- (ii) all Funding Conditions have been satisfied;
- (iii) no Event of Default then exists and is continuing or would result from the Advance; and
- (iv) the proceeds of the Advance will be in compliance with Section 10 of the Term Sheet and will be consistent with the Approved Cash Flow Budget.

Dated this ● day of ●, 2020.

**[SIGNATURE PAGE FOLLOWS]**

**CUSTOM BULK SERVICES INC.**

Per:

\_\_\_\_\_  
Name:

Title:

**HCA MOUNTAIN MINERALS (MOBERLY)  
LIMITED**

Per:

\_\_\_\_\_  
Name:

Title:

**NORTHERN SILICA CORPORATION**

Per:

\_\_\_\_\_  
Name:

Title:

## **Exhibit A to Notice of Request for Advance**

Financial Institution: CANADIAN IMPERIAL BANK OF COMMERCE

Financial Institution Address: CIBC PLACE – MAIN BRANCH 309-8<sup>TH</sup> AVE., SW.,  
BOX 2585 CALGARY, AB T2P 2P2

**Swift Code: CIBCCATT**

Beneficiary Name: HEEMSKIRK CANADA LIMITED

Beneficiary Address: SUITE 204, 1212-1<sup>ST</sup> STREET SE, CALGARY, AB T2G 2H8

Bank Code: 010

Transit (Branch) Number: 00009

Account Number: 8854211

Contact information for verification of above account details:

### **Option 1**

Name: AB MAKALO

Title: SENIOR MANAGER

Telephone number: 403-221-5790

Email address: ab.makalo@cibc.com

### **Option 2**

Name: ZENAIDA (ZENNY) TANAKA

Title: ACCOUNTANT

Telephone number: 587-392-0542

Email address: ztanaka@northernsilica.com

## Schedule C – Covenants

Each of the Borrowers and each of the Guarantors hereby covenants and agrees that so long as the DIP Lender is committed to make loans under the DIP Facility and thereafter so long as any Obligations remain outstanding, each of the Borrowers and each of the Guarantors shall:

### Affirmative Covenants

(1) comply with all laws, rules, regulations and orders, including, without limitation, environmental laws and regulations (collectively “**Applicable Laws**”) and shall promptly notify the DIP Lender of any action, claim, lawsuit, demand, investigation or proceeding pending, or to the knowledge of any of the Borrowers or any Guarantor, threatened against any of the Borrowers or any Guarantor, before any court, governmental authority, regulatory authority, arbitrator or tribunal;

(2) preserve, renew and keep in full force and good standing its corporate existence;

(3) to the extent available maintain in good standing at all times all insurance coverage as is customarily carried by companies which are engaged in the same or similar business to the business of the Borrowers and the Guarantors, or as may reasonably be required by the DIP Lender;

(4) maintain in good standing at all times, and comply in all material respects with, all real property leases and all material contracts;

(5) comply, and conduct their business and operations and make disbursements materially consistent with the Approved Cash Flow Budget and subject to the limits contained therein, provided that, to the extent not included in the Approved Cash Flow Budget, each of the Borrowers shall be permitted to make disbursements to pay specific amounts including, accrued and unpaid wages, professional fees and payments to critical suppliers incurred in the period prior to the granting of the Initial CCAA Orders, if such payments have been approved by the Monitor (“**Monitor Approved Payments**”);

(6) serve the application for the DIP Approval Order on all material secured parties, which application shall request that the Court create the DIP Charge and order that they have the super-priority ranking as against any other Lien in accordance with this Term Sheet;

(7) (i) provide representatives of the DIP Lender and the DIP Lender’s counsel with reasonable access to the books, records, financial information and electronic data rooms of or maintained by the Applicants, (ii) cause management, the financial advisor and legal counsel of the Applicants, to cooperate with reasonable requests for information by the DIP Lender and its advisors, in each case subject to solicitor-client privilege, the DIP Approval Order, the Initial CCAA Orders and all other order, judgment, determination, declaration or similar relief of the Courts relating to the CCAA Proceedings (collectively, the “**CCAA Orders**”) and applicable privacy laws and confidentiality obligations of the relevant Applicant to third parties, in connection with matters reasonably related to the DIP Facility or compliance of the Applicants with their obligations under the Loan Documents; and (iii) comply in all material respects with all CCAA Orders;

(8) keep the DIP Lender apprised on a timely basis of all material developments with respect to the business and affairs of the Applicants and the CCAA Proceedings, including all matters relating to any CCAA Plan;

(9) deliver to the DIP Lender and the DIP Lender’s counsel reporting and other information reasonably requested by them from time to time as set out in this Term Sheet including, without limitation, the Cash Flow Budgets at the times set out herein;

(10) provide the DIP Lender's counsel with draft copies of all material motions, applications for proposed CCAA Orders that any Applicant intends to file in the CCAA Proceedings as soon as is reasonably practicable in advance of the service of such materials to the service list in respect of the CCAA Proceedings, and all such material motions, applications and proposed CCAA Orders shall be in form and substance reasonably acceptable to the DIP Lender, acting reasonably;

(11) take all reasonable actions necessary or available to defend the CCAA Orders from any appeal, reversal, modifications, amendment, stay or vacating to the extent that it would materially prejudice the rights and interests of the DIP Lender;

(12) use the proceeds of Advances only in accordance with Section 10 and in accordance with the restrictions set out herein and in the manner contemplated by the Approved Cash Flow Budgets;

(13) pay when due all amounts accruing that (i) are secured by statutory liens or trusts including employee source deductions, goods and services taxes, municipal and linear taxes, workplace safety payments and employee salary, and (ii) arise under mineral and surface leases included in the Property;

(14) pay all costs and expenses of the DIP Lender payable under the Loan Documents no less frequently than every two weeks following the delivery of a redacted invoice to the Borrowers, provided that the DIP Lender shall provide reasonable estimates of such expenses for purposes of the Approved Cash Flow Budgets;

#### **Reporting Covenants**

(15) deliver to the DIP Lender each of the following reports:

- Weekly reporting package, the format and content of which shall be mutually agreed by the Borrowers and the DIP Lender, each acting reasonably; and
- A variance calculation, reviewed by the Monitor, against the Approved Cash Flow Budget setting forth (i) actual receipts and disbursements for the preceding week and (ii) actual receipts and disbursements on a cumulative basis since the beginning of the period covered by the then-current Approved Cash Flow Budget, in form and substance satisfactory to the DIP Lender acting reasonably, and provided to the DIP Lender no later than Thursday of each week;

(16) deliver to the DIP Lender copies of all pleadings, motions, applications, judicial information, financial information, and other documents filed by or on behalf of the Borrowers and Guarantors with the Court or distributed by or on behalf of the Borrowers or the Guarantors and all reports prepared by the Monitor;

(17) deliver or cause to be delivered to the DIP Lender such other reports and information respecting the Borrowers' and the Guarantors' business, financial condition or prospects, on a confidential basis, as the DIP Lender may, from time to time, reasonably request;

(18) promptly upon becoming aware thereof, notify the DIP Lender and its counsel, keep them apprised, and provide details, of:

- (i) the occurrence of any Event of Default and any other event or circumstance that may negatively impact the Approved Cash Flow Budgets, including any material change in its contractual arrangements or its relationships with third parties;

- (ii) any material developments in respect of any material contract and of any material notices, orders, decisions, letters, or other documents, materials, information or correspondence received from any Governmental Authority having jurisdiction over the Applicants; and
- (iii) (i) any pending, or threatened claims, potential claims, litigation, actions, suits, arbitrations, other proceedings or notices received in respect of same, against an Applicant, by or before any court, tribunal, governmental authority, which would be reasonably likely to result, individually or in the aggregate, in a judgment in excess of \$250,000, to the extent not stayed by the Initial CCAA Order (the “**CCAA Stay**”), and (ii) any default or dispute with respect to any of its material contracts, to the extent enforcement thereof is not stayed by the CCAA Stay;

### **Negative Covenants**

(19) not convey, sell, assign, lease, transfer or otherwise dispose of any assets of any of the Borrowers or any of the Guarantors, other than in the ordinary course of business, without the consent of the DIP Lender or an any order, judgment, determination, declaration or similar relief of the Court;

(20) not declare or pay any dividends on, or make any other distributions (whether by reduction of capital or otherwise) with respect to any shares of any of the Borrowers or any of the Guarantors, without the prior written consent of the DIP Lender;

(21) except as permitted, not to make (i) any purchase or other acquisition of shares or other securities of any Person, (ii) any form of financial assistance to or for the benefit of any Person, (iii) any capital contribution to any other Person, and (iv) any purchase or other acquisition of any assets, property or undertaking other than an acquisition in the ordinary course of business of the Borrowers or applicable Guarantor;

(22) except as permitted, not incur, create, assume, permit or suffer to exist any: (i) indebtedness (including, without limitation, guarantees and contingent obligations) other than for the provision of goods and services or intercompany advances consistent with the Approved Cash Flow Budget, and (ii) any indebtedness acceptable to the DIP Lender in its sole discretion; other superpriority claim which is pari passu with or senior to the claims of the DIP Lender against any or all of the Borrowers and the Guarantors except for the Permitted Priority Liens;

(23) other than the Permitted Liens, not create, incur, assume or suffer to exist any liens upon any of its property or assets without the prior written consent of the DIP Lender;

(24) not enter into any merger, amalgamation, consolidation, reorganization or recapitalization or change ownership or control of any of the Borrowers or any of the Guarantors without the prior written consent of the DIP Lender or Order of the Court;

(25) not seek or consent to, any modification, stay, vacation or amendment to any CCAA Order or any other order granted by the Court or seek approval of any other order of the Court or any modification, stay, vacation or amendment thereof that would reasonably be expected to adversely affect the DIP Lender’s rights, remedies, liens, charges, priorities, benefits or protections under any or all of the Initial CCAA Orders or any other order made by the Court, the Loan Documents or the DIP Charge, without the prior written consent of the DIP Lender, which consent shall be in the reasonable discretion of the DIP Lender;

(26) not seek or consent to any CCAA Plan other than a CCAA Plan approved or supported by the DIP Lender in writing unless: (i) all of the indebtedness under the DIP Facility is to be paid in full

in cash or other immediately available funds and the commitments provided for herein terminated pursuant prior to or contemporaneously with the effectiveness of such plan, or (ii) otherwise agreed by the DIP Lender;

(27) not challenge or fail to support the DIP Charge or any other liens directly or indirectly in favour of the DIP Lender in any capacity;

(28) not terminate any material contract or amend any material contract in any material manner except with the prior consent of the DIP Lender;

(29) not enter into any agreements, or apply for or support an application for any order, judgment, determination, declaration or similar relief or any material change, amendment or modification to any CCAA Order which has a material and adverse affect on the DIP Lender or its interests other than with the prior consent of the DIP Lender; and

(30) not enter into any material settlement agreement or agree to any material settlement arrangements with any governmental authority or in connection with any litigation, arbitration, other investigations, proceedings or disputes or other similar proceedings which are threatened or pending against any one of them, in any case, that results in a payment obligation for the Applicants or any Applicants, without the prior consent of the DIP Lender, or make any payments or repayments to customers, outside the ordinary course of business, other than those set out in the Approved Cash Flow Budgets.

## **Schedule D – Events of Default**

The occurrence of any one or more of the following events shall constitute an Event of Default under this Term Sheet:

- (1) any order made varying, amending, supplementing, staying, reversing or otherwise modifying or affecting the Initial CCAA Orders or any other order made by the Court by way of appeal, by way of variation or other relief, that, in the reasonable judgement of the DIP Lender, adversely affects the DIP Lender's rights, remedies, liens, charges, priorities, benefits or protections under any or all of the CCAA Orders, the DIP Charge or the Loan Documents without the DIP Lender's prior written consent;
- (2) the stay of creditors' remedies against the Borrowers and Guarantors provided for in the Initial CCAA Orders shall, for any reason, including, without limitation, the termination or failure of the efforts of any or all of the Borrowers and the Guarantors to have a plan of compromise or arrangement or a plan of reorganization, as the case may be, approved under the CCAA Proceeding, be lifted or otherwise terminated with respect to all, or a material part, of the assets of any of the Borrowers or any Guarantor; or all, or any material part, of the assets of any Borrower or any Guarantor shall, with the approval of the Court or otherwise be attached, seized, levied upon or subjected to execution, garnishment, distress or any other similar process; or any of the Borrowers or the Guarantors shall have concealed, removed or permitted to be concealed or removed, any part of its property, with intent to hinder, delay or defraud its creditors after the date of the Initial CCAA Orders;
- (3) there shall exist a negative variance from the Approved Cash Flow Budget in excess of 30% on a cumulative basis since the beginning of the period covered by the Approved Cash Flow Budget, provided, however, that any Monitor Approved Payment made within the relevant period shall not be included in the calculation of such variance;
- (4) the filing of an application for leave to appeal, a notice of appeal or an appeal in respect of the DIP Approval Order and such application for leave to appeal, notice of appeal or appeal has not been withdrawn or otherwise resolved in a manner acceptable to the DIP Lender acting reasonably within 30 days of such filing;
- (5) the appointment of a (i) receiver, interim receiver, receiver and manager, or trustee in bankruptcy or (ii) other official with powers to operate or manage the affairs of any or all of the Borrowers or any Guarantor;
- (6) the Borrowers or any Guarantor ceases or threatens to cease to carry on business in the ordinary course, except where such cessation occurs in connection with a sale of all or substantially all of the assets of any or all of the Borrowers or any Guarantor or other restructuring or reorganization of any or all of the Borrowers or any Guarantor which has been consented to in writing by the DIP Lender;
- (7) failure by the Borrowers to pay any principal amount outstanding under this Term Sheet or any other Loan Document when the same shall become due and payable hereunder or thereunder;
- (8) failure by either of the Borrowers to pay any Interest on the DIP Facility or any fees, expenses, or other amounts payable under this Term Sheet or any other Loan Document when the same shall become due and payable hereunder and any such failure remains unremedied for five (5) days;



- (9) except for Events of Default specifically referenced herein, failure by any of the Borrowers or any Guarantor to perform or comply with any material term, condition, covenant or obligation contained herein or in any Loan Document to be performed or complied with, where, if such failure to perform or comply is capable of being remedied, it is not remedied within twenty (20) Business Days of the occurrence of such failure;
- (10) any material representation or warranty made under any of the documents executed in connection with the DIP Facility, or any information provided to the DIP Lender or, is untrue or incorrect in any material respect as of the date when made or deemed made;
- (11) failure by any of the Borrowers or the Guarantors to comply with the CCAA Orders which failure adversely affects the DIP Lender's rights, remedies, liens, charges, priorities, benefits or protections under any or all of the CCAA Orders or any other order made by the Court or the DIP Facility documentation;
- (12) any of the Borrowers or any Guarantor becomes subject to a proceeding under the *Bankruptcy and Insolvency Act* (Canada) or any of the Borrowers or any Guarantor shall file a motion or other pleading seeking the dismissal of the CCAA Proceedings;
- (13) the entry of an order after the date hereof of any court granting or approving the granting of any lien, charge or super-priority claim that is pari passu with or senior to the liens, charges and claims of the DIP Lender securing the DIP Facility that is not discharged, stayed or vacated within 30 days of the entry thereof;
- (14) the payment of, or application for authority to pay, any pre-filing claim (other than a Monitor Approved Payment) of any of the Borrowers or any Guarantor without consent of the DIP Lender unless permitted hereunder or under any of the CCAA Orders, as applicable;
- (15) the assertion of or joinder by any of the Borrowers or the Guarantors in any claim, counterclaim, action, proceeding, application, motion, objection, defense or other contested matter, the purpose of which is to seek or the result of which would be to obtain any order, judgment, determination, declaration or similar relief (i) invalidating, setting aside, avoiding or subordinating, in whole or in part, the obligations of any of the Borrowers or any Guarantor under this Term Sheet, any Loan Document, the DIP Charge, any Security Interest, or the DIP Lender's liens on its collateral, (ii) for monetary, injunctive or other affirmative relief against any or all of the DIP Lender or its collateral, or (iii) preventing, hindering or otherwise delaying the exercise by any or all of the DIP Lender of any of its rights and remedies under this Term Sheet or Applicable Law, or the enforcement or realization (whether by foreclosure, credit bid, further order of the Court or otherwise) by the DIP Lender upon any of its collateral;
- (16) the entry of: (i) an order avoiding or requiring disgorgement of any portion of the payments made on account of the obligations owing to the DIP Lender hereunder; or (ii) any regulatory order as against any of the Borrowers, the Guarantors, or any of their assets which the DIP Lender reasonably determines, has, or could reasonably be expected to result in, a material and adverse change to, or impact on, the financial condition, prospects or operations of any Applicant or the Applicants taken as a whole;
- (17) the Applicant becomes subject to a material environmental liability or a remediation obligation arising after the commencement of the CCAA Proceedings; or
- (18) failure by an Applicant to deliver any Approved Cash Flow Budget by the date set out therefor in Section 10.



## SCHEDULE E – BORROWERS' FUNDING ACCOUNT(S)

Bank	Account number	Entity	Currency	Jurisdiction
CIBC	000097723814	HCA Mountain Minerals (Moberly) Limited	CAD	Calgary, Alberta
CIBC	000098004218	Heemskirk Canada Limited	CAD	Calgary, Alberta
CIBC	000098094411	HCA Mountain Minerals (Moberly) Limited	CAD	Calgary, Alberta
CIBC	000098854211	Heemskirk Canada Limited	CAD	Calgary, Alberta