

Clerk's Stamp:



COURT FILE NUMBER  
COURT  
JUDICIAL CENTRE OF

2001 07984

COURT OF QUEEN'S BENCH OF ALBERTA  
CALGARY

APPLICANTS:

IN THE MATTER OF THE COMPANIES' CREDITORS  
ARRANGEMENT ACT, R.S.C. 1985, c. C-36, as amended

AND IN THE MATTER OF A PLAN OF COMPROMISE OR  
ARRANGEMENT OF 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  
RESPONDENTS

QMETCO LIMITED and TAURUS RESOURCES NO. 2 B.V.  
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  
CONTACT INFORMATION OF  
PARTY FILING THIS  
DOCUMENT:

**ORIGINATING APPLICATION**

Cassels Brock & Blackwell LLP  
Suite 3810, Bankers Hall West  
888 - 3<sup>rd</sup> Street SW  
Calgary, AB T2P 5C5

Attention: Jeffrey Oliver  
Telephone: 403-351-2920  
Facsimile: 403-648-1151  
Email: [joliver@cassels.com](mailto:joliver@cassels.com)

File Number: 54614-1

**NOTICE TO THE RESPONDENT**

This application is made against you. You are a respondent.

You have the right to state your side of this matter before the Court.

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COURT FILE NUMBER  
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CALGARY

APPLICANTS:

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*ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, as amended

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File Number: 54614-1

**NOTICE TO THE RESPONDENT**

This application is made against you. You are a respondent.

You have the right to state your side of this matter before the Court.

To do so, you must be in Court when the application is heard as shown below:

Date: June 30, 2020  
Time: 2:00 pm  
Where: Calgary Courts Centre – Via Webex. Videoconference details are enclosed as **Appendix “A”** to this Originating Application  
Before: The Honourable Justice K.M. Horner – Commercial List

Go to the end of this document to see what you can do and when you must do it.

**Order Sought:**

1. QMetco Limited (“**QMetco**”) and Taurus Resources No. 2 B.V. (“**Taurus**” and together with QMetco, the “**Moving Parties**”), seek an Initial Order (the “**Initial Order**”) in the form attached hereto as **Schedule “A”** in respect of the NSC Companies (as defined below) pursuant to the *Companies’ Creditors Arrangement Act*, RSC 1985, c C-36, as amended (the “**CCAA**”), *inter alia*:
  - (a) declaring that each of the NSC Companies are companies to which the CCAA applies;
  - (b) appointing Alvarez & Marsal Canada Inc. (“**Alvarez**”) as Monitor in these CCAA proceedings to monitor the NSC Companies’ business and affairs (in such capacity, the “**Monitor**”);
  - (c) granting a stay of proceedings in respect of the NSC Companies until July 10, 2020, subject to further Order of the Court;
  - (d) authorizing the NSC Companies to pay all reasonable ordinary course operational expenses incurred by the NSC Companies prior to, on or after the commencement of these proceedings;
  - (e) granting an administration charge (the “**Administration Charge**”) over all of the assets and undertakings of the NSC Companies (the “**Property**”) in the amount of \$100,000, which is intended to be increased with this Court’s approval at a subsequent hearing prior to the expiry of the initial 10-day stay period (the “**Second Hearing**”), to secure the payment of the fees of the proposed Monitor, counsel to the proposed Monitor, and counsel to the NSC Companies; and
  - (f) granting a directors’ and officers’ charge (the “**D&O Charge**”) over the Property in the amount of \$85,000, which is intended to be increased with this Court’s approval at the Second Hearing, 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.
2. If the Initial Order is granted as sought, the NSC Companies will return before this Court at the Second Hearing seeking further relief to continue the CCAA proceeding, including an extension of the stay of proceedings, authorization for the NSC Companies to obtain interim financing, and the granting of a priority charge over the Property to secure the NSC Companies’ borrowings under an interim financing facility.

## **Basis for this Claim:**

### Background

3. The Moving Parties are part of a corporate group that provides financing to global mining companies, including to the NSC Companies.
4. The NSC Companies, who are the Respondents in this originating application, are comprised of:
  - (a) Northern Silica Corporation ("**NSC**"), an Alberta corporation;
  - (b) Heemskirk Australia Mining Pty. Ltd. ("**Heemskirk Australia**"), an Australia corporation that conducts business in Canada;
  - (c) Heemskirk Canada Holdings Limited ("**Heemskirk Holdings**"), a British Columbia corporation;
  - (d) Heemskirk Canada Limited ("**Heemskirk Canada**"), an Alberta corporation;
  - (e) Custom Bulk Services Inc. ("**Custom Bulk**"), an Alberta corporation; and
  - (f) HCA Mountain Minerals (Moberly) Limited ("**HCA Moberly**" and together with NSC, Heemskirk Australia, Heemskirk Holdings, Heemskirk Canada, and Custom Bulk, the "**NSC Companies**"), a British Columbia corporation.
5. The NSC Companies are all privately held corporations. The NSC Companies' corporate, financial and accounting records are located in Calgary, Alberta. The majority of executive management and administrative support is provided from the NSC Companies' head office in Calgary.
6. The Moving Parties granted secured loans to HCA Moberly, which have been guaranteed by the other NSC Companies except for Custom Bulk.
7. In addition to being a creditor of the NSC Companies, Taurus is also a significant shareholder of NSC, the parent company of the NSC Companies.

### Business of the NSC Companies

8. The NSC Companies operate an integrated silica mining and transport business. The silica mining component of the business takes place at mining facilities near Golden, British Columbia (the "**Moberly Plant**"). The transport component of the business takes place at a transloading facility in Penhold, Alberta (the "**Penhold Facility**").
9. The Moberly Plant mines and processes silica sand from a high-grade silica deposit and is capable of producing frac sand and other products predominantly used in the oil and gas industry.
10. While operating, silica processed at the Moberly Plant was moved to the Penhold Facility for sales to the frac sand market in Alberta.

11. The Penhold Facility was intended to be used to receive frac sand by rail from the Moberly Plant, however, due to a Canadian Pacific Rail derailment in June 2018, the Penhold Facility has instead been used mostly as a storage and distribution facility.

#### Financial Difficulties

12. The NSC Companies produce frac sand for use in the oil and gas sector. Frac sand price and demand have decreased since early 2019, causing destabilization for several frac sand producers. In addition to these market-wide issues, operations at the Moberly Plant have proven to be uneconomic at this time, including due to logistical issues caused by the inability to transport materials by rail to the Penhold Facility.
13. As a result of these issues, operations at the Moberly Plant were shut down in late February of 2020. The NSC Companies also transitioned their operations at the Penhold Facility to transload frac sand from third parties to current clients.
14. The NSC Companies are investigating repurposing the Moberly Plant to provide products to industries other than the oil and gas industry. These activities will require further investment.

#### Need for CCAA Protection

15. The NSC Companies, with the exception of Custom Bulk, are obligors under secured credit facilities advanced by Taurus (the “**Taurus Facility**”) and by QMetco (the “**QMetco Facility**”). Pursuant to a series of waiver agreements, the Taurus Facility and QMetco Facility will each mature on June 30, 2020.
16. Presently, there is approximately \$53.2 million outstanding on the Taurus Facility and approximately \$21.5 million outstanding on the QMetco Facility.
17. On June 18, 2020, through counsel, the borrower under the credit facilities, HCA Moberly, advised the Moving Parties that absent additional financial support from their lenders, the NSC Companies are or will soon be unable to repay their obligations as they generally become due. For this reason, and because the realizable value of the NSC Companies’ assets does not appear to be sufficient to enable payment of all of their obligations as they come due, it appears that the NSC Companies are insolvent and are not currently in a position to repay their indebtedness to the Moving Parties nor do they expect to be in a position to do so by June 30, 2020.
18. On June 18, 2020, QMetco delivered demand letters and notices of intention to enforce security under section 244 of the *Bankruptcy and Insolvency Act*, RSC 1985, c B-3, as amended, to HCA Moberly, NSC, Heemskirk Australia, Heemskirk Holdings and Heemskirk Canada, demanding payment of all amounts outstanding under the QMetco Facility.
19. On June 23, 2020, Taurus delivered demand letters and notices of intention to enforce security under section 244 of the *Bankruptcy and Insolvency Act*, RSC 1985, c B-3, as amended, to HCA Moberly, NSC, Heemskirk Australia, Heemskirk Holdings and

Heemskirk Canada, demanding payment of all amounts outstanding under the Taurus Facility.

20. The Moving Parties seek the Court's approval of the Initial Order, to commence a Court-supervised restructuring of the NSC Companies. The relief sought in the Initial Order is limited to the relief reasonably necessary for the continued operations of the NSC Companies in the ordinary course of business during an initial 10-day period.
21. It is anticipated that within a CCAA proceeding, the NSC Companies would implement a Court-supervised sale and investment solicitation process to attempt to achieve a going concern sale of the NSC Companies' business.
22. The NSC Companies are affiliated companies and are insolvent. The NSC Companies' liabilities exceed \$5 million.
23. While the Moving Parties are not creditors of Custom Bulk, the Moving Parties are interested parties in Custom Bulk as they are the pledgees of 100% of Custom Bulk's common shares. The business of Custom Bulk is integrated with the business of the other NSC Companies, and the enterprise value of the NSC Companies with the Custom Bulk assets included is higher than if the assets of Custom Bulk were excluded.
24. The request for an initial 10-day stay of proceedings will provide additional time for the Moving Parties and the NSC Companies to finalize the terms of an interim financing facility and a sale and investment solicitation process. The requested stay of proceedings is in the best interests of the NSC Companies.
25. The proposed Monitor has agreed to act as Monitor to the NSC Companies.
26. The requested Administration Charge will secure the fees of the proposed Monitor, the proposed Monitor's counsel, and counsel to the NSC Companies. The involvement of these professionals is essential to the success of this proceeding.
27. The requested D&O Charge will indemnify the directors and officers of the NSC Companies, each of whom are essential to the NSC Companies' restructuring, of any liability that they may incur in connection with these proceedings and that are not covered by a directors' and officers' insurance policy.

**Affidavit or Other Evidence to be used in support of this application:**

28. The Affidavit of Martin Boland, sworn on June 26, 2020.
29. The Affidavit of Richard Kay, sworn on June 26, 2020.
30. The Pre-Filing Report of the proposed Monitor.
31. Such further and other materials as counsel may advise and this Honourable Court may permit.

**Applicable Acts and Regulations:**

32. *Companies' Creditors Arrangement Act*, RSC 1985, c C-36, as amended.
33. *Judicature Act*, RSA 2000, c J-2.
34. *Rules of Court*, Alta Reg 124/2010.
35. Such further and other acts and regulations as counsel may advise and this Honourable Court may permit.

**WARNING**

You are named as a respondent because you have made or are expected to make an adverse claim in respect of this originating application. If you do not come to Court either in person or by your lawyer, the Court may make an order declaring you and all persons claiming under you to be barred from taking any further proceedings against the applicant(s) and against all persons claiming under the applicant(s). You will be bound by any order the Court makes, or another order might be given or other proceedings taken which the applicant(s) is/are entitled to make without any further notice to you. If you want to take part in the application, you or your lawyer must attend in Court on the date and at the time shown at the beginning of this form. If you intend to give evidence in response to the application, you must reply by filing an affidavit or other evidence with the Court and serving a copy of that affidavit or other evidence on the applicant(s) a reasonable time before the application is to be heard or considered.

## APPENDIX “A” – WEBEX VIDEOCONFERENCE INFORMATION

**Virtual Courtroom 03** has been assigned for the following matter:

Date: Jun 30, 2020 02:00 PM  
Style of Cause: ITMO v. CCAA  
Presiding Justice: HORNER, J

Virtual Courtroom Link:

<https://albertacourts.webex.com/meet/virtual.courtroom03>

### Instructions for Connecting to the Meeting

1. Click on the link above or open up Chrome or Firefox and cut and paste it into your browser address bar.
2. If you do not have the Cisco Webex application already installed on your device, the site will have a button to install it. Follow installation instructions. Enter your full name and email address when prompted
3. Click on the **Open Cisco Webex Meeting**.
4. You will see a preview screen. Click on **Join Meeting**.

Key considerations for those attending:

1. Please connect to the courtroom **15 minutes prior** to the start of the hearing.
2. Please ensure that your microphone is muted and remains muted for the duration of the proceeding, unless you are speaking. Ensure that you state your name each time you speak.
3. If bandwidth becomes an issue, some participants may be asked to turn off their video and participate by audio only.
4. Note: Recording or rebroadcasting of the video is prohibited.

If you are a non-lawyer attending this hearing remotely, please complete this undertaking located here:

<https://www.albertacourts.ca/qb/resources/announcements/undertaking-and-agreement-for-non-lawyers>

For more information relating to Webex protocols and procedures, please visit:

<https://www.albertacourts.ca/qb/court-operations-schedules/webex-remote-hearings-protocol>

## **SCHEDULE “A” TO ORIGINATING APPLICATION**

## SCHEDULE 'A'

Clerk's Stamp:

COURT FILE NUMBER 2001-

COURT COURT OF QUEEN'S BENCH OF ALBERTA

JUDICIAL CENTRE OF CALGARY

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

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 **CCAA INITIAL ORDER**

CONTACT  
INFORMATION OF  
PARTY FILING THIS  
DOCUMENT:

**Cassels Brock & Blackwell LLP**  
Suite 3810, Bankers Hall West  
888 3<sup>rd</sup> Street SW  
Calgary, AB T2P 5C5

Phone: 403-351-2921

Fax: 403-648-1151

Attention : Jeffrey Oliver  
Email: joliver@cassels.com

File No. 54614-1

**DATE ON WHICH ORDER WAS PRONOUNCED:** June 30, 2020

**NAME OF JUDGE WHO MADE THIS ORDER:** The Honourable Justice K.M.  
Horner

**LOCATION OF HEARING:**

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Calgary Courts Centre

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**UPON** the application of QMetco Limited and Taurus Resources No. 2 B.V. (the “**Applicants**”), **AND UPON** having read the Originating Application, the Affidavit of Martin Boland sworn June 26, 2020 (the “**Boland Affidavit**”), filed; the Affidavit of Richard Kay, filed; and the Affidavit of Service, filed; **AND UPON** reading the consent of Alvarez & Marsal Canada Inc. (“**A&M**”) to act as Monitor (in such capacity, the “**Monitor**”); **AND UPON** being advised that the secured creditors who are likely to be affected by the charges created herein have been provided notice of this application and either do not oppose or alternatively consent to the within Order; **AND UPON** hearing counsel for the Applicants, counsel for Northern Silica Corporation, Heemskirk Mining Pty. Ltd., Custom Bulk Services Inc. (“**Custom Bulk**”), Heemskirk Canada Limited, Heemskirk Canada Holdings Limited and HCA Mountain Minerals (Moberly) Limited (collectively, the “**Debtors**”), counsel for the proposed Monitor, and such other parties or counsel as were present; **AND UPON** reading the Pre-Filing Report of the proposed Monitor, A&M; **IT IS HEREBY ORDERED AND DECLARED THAT:**

**SERVICE**

1. The time for service of the notice of application for this order (the “**Order**”) is hereby abridged and deemed good and sufficient and this application is properly returnable today.

**APPLICATION**

2. The Debtors are companies to which the *Companies’ Creditors Arrangement Act*, RSC 1985, c C-36, of Canada, as amended (the “**CCAA**”) applies.

**PLAN OF ARRANGEMENT**

3. The Debtors shall have the authority to file and may, subject to further order of this Court, file with this Court a plan of compromise or arrangement (the “**Plan**”).

**POSSESSION OF PROPERTY AND OPERATIONS**

4. The Debtors shall:

- (a) remain in possession and control of their current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate including all proceeds thereof (the “**Property**”);
  - (b) subject to further order of this Court, continue to carry on business in a manner consistent with the preservation of their business (the “**Business**”) and the Property;
  - (c) be authorized and empowered to continue to retain and employ the employees, consultants, agents, experts, accountants, counsel, financial advisors and such other persons (collectively “**Assistants**”) currently retained or employed by them, with liberty to retain such further Assistants as they deem reasonably necessary or desirable in the ordinary course of business or for the carrying out of the terms of this Order; and
  - (d) be entitled to continue to utilize the central cash management system currently in place as described in the Boland Affidavit or replace it with another substantially similar central cash management system (the “**Cash Management System**”), in each case, so long as the Monitor shall have oversight over such Cash Management Systems, and any present or future bank providing the Cash Management System shall not be under any obligation whatsoever to inquire into the propriety, validity or legality of any transfer, payment, collection or other action taken under the Cash Management System, or as to the use or application by the Debtors of funds transferred, paid, collected or otherwise dealt with in the Cash Management System, shall be entitled to provide the Cash Management System without any liability in respect thereof to any Person (as hereinafter defined) other than the Debtors, pursuant to the terms of the documentation applicable to the Cash Management System, and shall be, in its capacity as provider of the Cash Management System, an unaffected creditor under the Plan with regard to any claims or expenses it may suffer or incur in connection with the provision of the Cash Management System.
5. To the extent permitted by law, the Debtors shall be entitled but not required to make the following advances or payments of the following expenses, whether incurred prior to, on or after this Order:

- (a) all outstanding and future wages, salaries, employee and pension benefits, vacation pay and expenses (including without limitation, payroll and benefits processing and servicing expenses) payable on or after the date of this Order, in each case incurred in the ordinary course of business and consistent with existing compensation policies and arrangements;
  - (b) the reasonable fees and disbursements of any Assistants retained or employed by the Debtors in respect of these proceedings, at their standard rates and charges, including for periods prior to the date of this Order;
  - (c) scheduled payments of principal and interest by Custom Bulk to ATB Financial pursuant to the terms of the ATB Loan Agreement (as defined in paragraph 65 of the Boland Affidavit); and
  - (d) with consent of the Monitor, amounts owing for goods or services supplied to the Debtors, including for periods prior to the date of this Order if, in the opinion of the Debtors following consultation with the Monitor, the supplier or vendor of such goods or services is necessary for the operation or preservation of the Business or the Property.
6. Except as otherwise provided to the contrary herein, the Debtors shall be entitled but not required to pay all reasonable expenses incurred by the Debtors in carrying on the Business in the ordinary course after this Order, and in carrying out the provisions of this Order, which expenses shall include, without limitation:
- (a) all expenses and capital expenditures reasonably necessary for the preservation of the Property or the Business including, without limitation, payments on account of insurance (including directors and officers insurance), maintenance and security services; and
  - (b) payment for goods or services actually supplied to the Debtors following the date of this Order.
7. The Debtors shall remit, in accordance with legal requirements, or pay:
- (a) any statutory deemed trust amounts in favour of the Crown in Right of Canada or of any Province thereof or any other taxation authority that are required to be

deducted from employees' wages, including, without limitation, amounts in respect of:

- (i) employment insurance,
- (ii) Canada Pension Plan,
- (iii) Quebec Pension Plan, and
- (iv) income taxes,

but only where such statutory deemed trust amounts arise after the date of this Order, or are not required to be remitted until after the date of this Order, unless otherwise ordered by the Court;

- (b) all goods and services or other applicable sales taxes (collectively, "**Sales Taxes**") required to be remitted by the Debtors in connection with the sale of goods and services by the Debtors, but only where such Sales Taxes are accrued or collected after the date of this Order, or where such Sales Taxes were accrued or collected prior to the date of this Order but not required to be remitted until on or after the date of this Order; and
- (c) any amount payable to the Crown in Right of Canada or of any Province thereof or any political subdivision thereof or any other taxation authority in respect of municipal realty, municipal business or other taxes, assessments or levies of any nature or kind which are entitled at law to be paid in priority to claims of secured creditors and that are attributable to or in respect of the carrying on of the Business by the Debtors.

8. Until such time as a real property lease is disclaimed or resiliated in accordance with the CCAA, the Debtors may pay all amounts constituting rent or payable as rent under real property leases (including, for greater certainty, common area maintenance charges, utilities and realty taxes and any other amounts payable as rent to the landlord under the lease) based on the terms of existing lease arrangements or as otherwise may be negotiated by the Debtors from time to time for the period commencing from and including the date of this Order, but shall not pay any rent in arrears at the date of this Order.

9. Except as specifically permitted in this Order, the Debtors are hereby directed, until further order of this Court:
- (a) to make no payments of principal, interest thereon or otherwise on account of amounts owing by the Debtors to any of their creditors as of the date of this Order;
  - (b) to grant no security interests, trust, liens, charges or encumbrances upon or in respect of any of their Property; and
  - (c) not to grant credit or incur liabilities except in the ordinary course of the Business.

#### **NO PROCEEDINGS AGAINST THE DEBTORS OR THE PROPERTY**

10. Until and including July 10, 2020 or such later date as this Court may order (the “**Stay Period**”), no proceeding or enforcement process in any court or tribunal (each, a “**Proceeding**”) shall be commenced or continued against or in respect of the Debtors, or the Monitor, or affecting the Business or the Property, except with the written consent of the Debtors and the Monitor, or with the leave of this Court, and any and all Proceedings currently under way against or in respect of the Debtors or affecting the Business or the Property are hereby stayed and suspended pending further order of this Court or the written consent of the Debtors and the Monitor.

#### **NO EXERCISE OF RIGHTS OR REMEDIES**

11. During the Stay Period, all rights and remedies of any individual, firm, corporation, governmental body or agency, or any other entities (all of the foregoing, collectively being “**Persons**” and each being a “**Person**”), whether judicial or extra-judicial, statutory or non-statutory against or in respect of the Debtors or the Monitor, or affecting the Business or the Property, are hereby stayed and suspended and shall not be commenced, proceeded with or continued except with the written consent of the Debtors and the Monitor, or leave of this Court, provided that nothing in this Order shall:
- (a) empower the Debtors to carry on any business that the Debtors are not lawfully entitled to carry on;
  - (b) affect such investigations, actions, suits or proceedings by a regulatory body as are permitted by section 11.1 of the CCAA;

- (c) prevent the filing of any registration to preserve or perfect a security interest;
  - (d) prevent the registration of a claim for a lien; or
  - (e) exempt the Debtors from compliance with statutory or regulatory provisions relating to health, safety or the environment.
12. Nothing in this Order shall prevent any party from taking an action against the Debtors where such an action must be taken in order to comply with statutory time limitations in order to preserve their rights at law, provided that no further steps shall be taken by such party except in accordance with the other provisions of this Order, and notice in writing of such action be given to the Debtors and the Monitor at the first available opportunity.

### **NO INTERFERENCE WITH RIGHTS**

13. During the Stay Period, no person shall accelerate, suspend, discontinue, fail to honour, alter, interfere with, repudiate, rescind, terminate or cease to perform any right, renewal right, contract, agreement, lease, sublease, licence or permit in favour of or held by the Debtors, except with the written consent of the Debtors and the Monitor, or leave of this Court.

### **CONTINUATION OF SERVICES**

14. During the Stay Period, all persons having:
- (a) statutory or regulatory mandates for the supply of goods and/or services; or
  - (b) oral or written agreements or arrangements with the Debtors, including without limitation all computer software, communication and other data services, centralized banking services, payroll and benefits services, insurance, shipping and transportation, services, utility or other services to the Business or the Debtors

are hereby restrained until further order of this Court from discontinuing, altering, interfering with, suspending or terminating the supply of such goods or services as may be required by the Debtors or exercising any other remedy provided under such agreements or arrangements. The Debtors shall be entitled to the continued use of their current premises, telephone numbers, facsimile numbers, internet addresses and domain names, provided in each case that the usual prices or charges for all such goods or

services received after the date of this Order are paid by the Debtors in accordance with the payment practices of the Debtors, or such other practices as may be agreed upon by the supplier or service provider and each of the Debtors and the Monitor, or as may be ordered by this Court.

#### **NON-DEROGATION OF RIGHTS**

15. Nothing in this Order has the effect of prohibiting a person from requiring immediate payment for goods, services, use of leased or licensed property or other valuable consideration provided on or after the date of this Order, nor shall any person, be under any obligation on or after the date of this Order to advance or re-advance any monies or otherwise extend any credit to the Debtors.

#### **PROCEEDINGS AGAINST DIRECTORS AND OFFICERS**

16. During the Stay Period, and except as permitted by subsection 11.03(2) of the CCAA and paragraph 12 of this Order, no Proceeding may be commenced or continued against any of the former, current or future directors or officers of the Debtors with respect to any claim against the directors or officers that arose before the date of this Order and that relates to any obligations of the Debtors whereby the directors or officers are alleged under any law to be liable in their capacity as directors or officers for the payment or performance of such obligations, until a compromise or arrangement in respect of the Debtors, if one is filed, is sanctioned by this Court or is refused by the creditors of the Debtors or this Court.

#### **DIRECTORS' AND OFFICERS' INDEMNIFICATION AND CHARGE**

17. The Debtors shall indemnify their directors and officers against obligations and liabilities that they may incur as directors and or officers of the Debtors after the commencement of the within proceedings except to the extent that, with respect to any officer or director, the obligation or liability was incurred as a result of the director's or officer's gross negligence or wilful misconduct.
18. The directors and officers of the Debtors shall be entitled to the benefit of and are hereby granted a charge (the "**Directors' Charge**") on the Property, which charge shall not exceed an aggregate amount of \$85,000, as security for the indemnity provided in paragraph 17 of this Order. The Directors' Charge shall have the priority set out in paragraphs 28 and 30 hereof.

19. Notwithstanding any language in any applicable insurance policy to the contrary:
- (a) no insurer shall be entitled to be subrogated to or claim the benefit of the Directors' Charge; and
  - (b) the Debtors' directors and officers shall only be entitled to the benefit of the Directors' Charge to the extent that they do not have coverage under any directors' and officers' insurance policy, or to the extent that such coverage is insufficient to pay amounts indemnified in accordance with paragraph 17 of this Order.

#### **APPOINTMENT OF MONITOR**

20. Alvarez & Marsal Canada Inc. is hereby appointed pursuant to the CCAA as the Monitor, an officer of this Court, to monitor the Property, Business, and financial affairs and the Debtors with the powers and obligations set out in the CCAA or set forth herein, and that the Debtors and each of their shareholders, officers, directors, and Assistants shall advise the Monitor of all material steps taken by the Debtors pursuant to this Order, and shall co-operate fully with the Monitor in the exercise of its powers and discharge of its obligations and provide the Monitor with the assistance that is necessary to enable the Monitor to adequately carry out the Monitor's functions.
21. The Monitor, in addition to its prescribed rights and obligations under the CCAA, is hereby directed and empowered to:
- (a) monitor the Debtors' receipts and disbursements, Business and dealings with the Property;
  - (b) report to this Court at such times and intervals as the Monitor may deem appropriate with respect to matters relating to the Property, the Business, and such other matters as may be relevant to the proceedings herein and immediately report to the Court if in the opinion of the Monitor there is a material adverse change in the financial circumstances of the Debtors;
  - (c) advise the Debtors in their preparation of the Debtors' cash flow statements;
  - (d) advise the Debtors, to the extent required by the Debtors, in their development of the Plan and any amendments to the Plan;

- (e) assist the Debtors, to the extent required by the Debtors, with the holding and administering of creditors' or shareholders' meetings for voting on the Plan;
  - (f) have full and complete access to the Property, including the premises, books, records, data, including data in electronic form and other financial documents of the Debtors to the extent that is necessary to adequately assess the Property, Business, and financial affairs of the Debtors or to perform its duties arising under this Order;
  - (g) be at liberty to engage independent legal counsel or such other persons as the Monitor deems necessary or advisable respecting the exercise of its powers and performance of its obligations under this Order;
  - (h) hold funds in trust or in escrow, to the extent required, to facilitate settlements between the Debtors and any other Person; and
  - (i) perform such other duties as are required by this Order or by this Court from time to time.
22. The Monitor shall not take possession of the Property and shall take no part whatsoever in the management or supervision of the management of the Business and shall not, by fulfilling its obligations hereunder, or by inadvertence in relation to the due exercise of powers or performance of duties under this Order, be deemed to have taken or maintain possession or control of the Business or Property, or any part thereof. Nothing in this Order shall require the Monitor to occupy or to take control, care, charge, possession or management of any of the Property that might be environmentally contaminated, might be a pollutant or a contaminant, or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to any federal, provincial or other law respecting the protection, conservation, enhancement, remediation or rehabilitation of the environment or relating to the disposal or waste or other contamination, provided however that this Order does not exempt the Monitor from any duty to report or make disclosure imposed by applicable environmental legislation or regulation. The Monitor shall not, as a result of this Order or anything done in pursuance of the Monitor's duties and powers under this Order be deemed to be in possession of any of the Property within the meaning of any federal or provincial environmental legislation.

23. The Monitor shall provide any creditor of the Debtors with information provided by the Debtors in response to reasonable requests for information made in writing by such creditor addressed to the Monitor. The Monitor shall not have any responsibility or liability with respect to the information disseminated by it pursuant to this paragraph. In the case of information that the Monitor has been advised by the Debtors is confidential, the Monitor shall not provide such information to creditors unless otherwise directed by this Court or on such terms as the Monitor and the Debtors may agree.
24. In addition to the rights and protections afforded the Monitor under the CCAA or as an Officer of this Court, the Monitor shall incur no liability or obligation as a result of its appointment or the carrying out of the provisions of this Order, save and except for any gross negligence or wilful misconduct on its part. Nothing in this Order shall derogate from the protections afforded the Monitor by the CCAA or any applicable legislation.
25. The Monitor, counsel to the Monitor and counsel to the Debtors shall be paid their reasonable fees and disbursements (including any pre-filing fees and disbursements related to these CCAA proceedings) by the Debtors, in each case at their standard rates and charges, subject to the terms set forth in their respective engagement letters with the Debtors, as applicable, as part of the costs of these proceedings. The Debtors are hereby authorized and directed to pay the accounts of the Monitor, counsel for the Monitor, and counsel for the Debtors on a regular basis.
26. The Monitor and its legal counsel shall pass their accounts from time to time.
27. The Monitor, counsel to the Monitor and counsel to the Debtors as security for the professional fees and disbursements incurred both before and after the granting of this Order, shall be entitled to the benefits of and are hereby granted a charge (the “**Administration Charge**”) on the Property, which charge shall not exceed an aggregate amount of \$100,000, as security for their professional fees and disbursements incurred at the normal rates and charges of the Monitor and such counsel, both before and after the making of this Order in respect of these proceedings. The Administration Charge shall have the priority set out in paragraphs 28 and 30 hereof.

## VALIDITY AND PRIORITY OF CHARGES

28. The priorities of the Directors' Charge and the Administration Charge, as among them, shall be as follows:

First – Administration Charge (to the maximum amount of \$100,000); and

Second – Directors' Charge (to the maximum amount of \$85,000).

29. The filing, registration or perfection of the Administration Charge or the Directors' Charge (collectively, the "**Charges**") shall not be required, and the Charges shall be valid and enforceable for all purposes, including as against any right, title or interest filed, registered, recorded or perfected subsequent to the Charges coming into existence, notwithstanding any such failure to file, register, record or perfect.
30. Each of the Administration Charge and the Directors' Charge shall constitute a charge on the Property and subject always to section 34(11) of the CCAA such Charges shall rank in priority to all other security interests, trusts, liens, charges and encumbrances, and claims of secured creditors, statutory or otherwise (collectively, "**Encumbrances**") in favour of any Person.
31. Except as otherwise expressly provided for herein, or as may be approved by this Court, the Debtors shall not grant any Encumbrances over any Property that rank in priority to, or *pari passu* with either of the Directors' Charge or the Administration Charge, unless the Debtors also obtain the prior written consent of the Monitor and the beneficiaries of the Directors' Charge and the Administration Charge (the "**Chargees**") or further order of this Court.
32. The Administration Charge and the Directors' Charge shall not be rendered invalid or unenforceable and the rights and remedies of the Chargees thereunder shall not otherwise be limited or impaired in any way by:
- (a) the pendency of these proceedings and the declarations of insolvency made in this Order;

- (b) any application(s) for bankruptcy order(s) issued pursuant to the *Bankruptcy and Insolvency Act* of Canada (the “**BIA**”), or any bankruptcy order made pursuant to such applications;
- (c) the filing of any assignments for the general benefit of creditors made pursuant to the BIA;
- (d) the provisions of any federal or provincial statutes; or
- (e) any negative covenants, prohibitions or other similar provisions with respect to borrowings, incurring debt or the creation of Encumbrances, contained in any existing loan documents, lease, sublease, offer to lease or other agreement (collectively, an “**Agreement**”) that binds the Debtors and notwithstanding any provision to the contrary in any Agreement:
  - (i) neither the creation of the Charges nor the execution, delivery, perfection, registration or performance of any documents in respect thereof, shall create or be deemed to constitute a new breach by the Debtors of any Agreement to which they are a party;
  - (ii) none of the Chargees shall have any liability to any Person whatsoever as a result of any breach of any Agreement caused by or resulting from the creation of the Charges; and
  - (iii) the payments made by the Debtors pursuant to this Order and the granting of the Charges, do not and will not constitute preferences, fraudulent conveyances, transfers at undervalue, oppressive conduct or other challengeable or voidable transactions under any applicable law.

## **ALLOCATION**

33. Any interested Person may apply to this Court on notice to any other party likely to be affected for an order to allocate the Administration Charge and the Directors’ Charge amongst the various assets comprising the Property.

## SERVICE AND NOTICE

34. The Monitor shall (i) without delay, publish in The Globe and Mail (National Edition) a notice containing the information prescribed under the CCAA; (ii) within five (5) days after the date of this Order (A) make this Order publicly available in the manner prescribed under the CCAA, (B) send, in the prescribed manner, a notice to every known creditor who has a claim against the Debtors of more than \$1,000; and (C) prepare a list showing the names and addresses of those creditors and the estimated amounts of those claims, and make it publicly available in the prescribed manner, all in accordance with section 23(1)(a) of the CCAA and the regulations made thereunder.
35. Subject to Rules 11.25 and 11.26 this Order shall constitute an order for substituted service pursuant to Rule 11.28 of the Rules of Court.
36. The Monitor shall establish a case website in respect of the within proceedings at [www.alvarezandmarsal.com/northernsilica](http://www.alvarezandmarsal.com/northernsilica).

## GENERAL

37. The Debtors or the Monitor may from time to time apply to this Court for advice and directions in the discharge of their powers and duties under this Order or the interpretation of application of this Order hereunder.
38. Notwithstanding Rule 6.11 of the *Alberta Rules of Court*, unless otherwise ordered by this Court, the Monitor will report to the Court from time to time, which reporting is not required to be in affidavit form and shall be considered by this Court as evidence. The Monitor's reports shall be filed by the Court Clerk notwithstanding that they do not include an original signature.
39. Nothing in this Order shall prevent the Monitor from acting as an interim receiver, a receiver, a receiver and manager or a trustee in bankruptcy of the Debtors, the Business or the Property.
40. This Court hereby requests the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in any foreign jurisdiction, to give effect to this Order and to assist the Debtors, the Monitor and their respective agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative

bodies are hereby respectfully requested to make such orders and to provide such assistance to the Debtors and to the Monitor, as an officer of this Court, as may be necessary or desirable to give effect to this Order, to grant representative status to the Monitor in any foreign proceeding, or to assist the Debtors and the Monitor and their respective agents in carrying out the terms of this Order.

41. The Debtors and the Monitor are at liberty and are hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order and that the Monitor is authorized and empowered to act as a representative in respect of the within proceeding for the purpose of having these proceedings recognized in a jurisdiction outside Canada.
42. Any interested party (including the Debtors and the Monitor) may apply to this Court to vary or amend this Order on July 10, 2020 and thereafter not less than seven (7) days' notice to any other party or parties likely to be affected by the order sought or upon such other notice, if any, as this Court may order.
43. This Order and all of its provisions are effective as of 12:01 a.m. Mountain Standard Time on the date of this Order.

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Justice of the Court of Queen's Bench of Alberta