

COURT FILE NUMBER 2001- 07984

COURT COURT OF QUEEN'S BENCH OF ALBERTA

JUDICIAL CENTRE CALGARY



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

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 ARRANGMENT 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

DOCUMENT **PRE-FILING REPORT OF THE PROPOSED MONITOR ALVAREZ & MARSAL CANADA INC.**

JUNE 29, 2020

ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT

PROPOSED MONITOR
 ALVAREZ & MARSAL CANADA INC.
 Bow Valley Square IV
 Suite 1110, 250 – 6th Avenue SW
 Calgary, Alberta T2P 3H7
 Orest Konowalchuk
 Telephone: (403) 538-4736
 Email: okonowalchuk@alvarezandmarsal.com

PROPOSED MONITOR'S COUNSEL
 TORYS LLP
 Barrister and Solicitors
 Kyle Kashuba
 525 – 8th Avenue SW (46th Floor, East Tower)
 Calgary, Alberta T2P 1G1
 Telephone: (403) 776-3744
 Fax: (403) 776-3800
 Email: kkashuba@torys.com

TABLE OF CONTENTS

INTRODUCTION	4
PURPOSE.....	5
TERMS OF REFERENCE AND DISCLAIMER	6
A&M’S QUALIFICATIONS TO ACT AS MONITOR	7
BACKGROUND	8
CCAA CASH FLOW FORECAST.....	13
COURT ORDERED CHARGES SOUGHT BY APPLICANTS.....	16
PROPOSED STAY OF PROCEEDINGS	18
CONCLUSIONS	19

APPENDICES

APPENDIX A	Consent to Act
APPENDIX B	Company Organization Chart
APPENDIX C	Cash Flow Forecast and Assumptions
APPENDIX D	Management Representation Letter on the Cash Flow Forecast

INTRODUCTION

1. Alvarez & Marsal Canada Inc. (“**A&M**” or the “**Proposed Monitor**”) understands that Northern Silica Corporation, Heemskirk Mining Pty. Ltd., Heemskirk Canada Holdings Limited, Heemskirk Canada Limited, Custom Bulk Services Inc. and HCA Mountain Minerals (Moberly) Limited (collectively, the “**NSC Companies**” or the “**Debtors**”) are subject to an application (the “**CCAA Application**”) before this Court seeking certain relief under the *Companies’ Creditors Arrangement Act*, RSC 1985, c C-36, as amended (the “**CCAA**”), in the form of an Order granting, among other things, a stay of proceedings until July 10, 2020 and appointing A&M as Monitor (the “**Proposed Monitor**” once appointed, the “**Monitor**”, and the proposed Order, the “**Proposed Initial Order**”). The proceedings that are proposed to be commenced by the Applicants under the CCAA are referred to herein as the “**CCAA Proceedings**”.
2. The CCAA Application is being brought by QMetco Limited (“**QMetco**”) and Taurus Resources No. 2 B.V. (“**Taurus**” and together with QMetco, the “**Moving Parties**”), who are the senior secured creditors of the Debtors, with the exception of Custom Bulk Services Inc.
3. The Moving Parties have applied to this Honourable Court seeking the Proposed Initial Order for the NSC Companies to, *inter alia*:
 - a) commence the CCAA Proceedings under the CCAA;
 - b) establish a stay of proceedings (the “**Stay of Proceeding**”) of not more than 10 days;
 - c) appoint A&M as the Proposed Monitor in the CCAA Proceedings;
 - d) authorize the NSC Companies to pay reasonable fees and disbursements of the Monitor and its counsel and the Debtors’ professional advisors;

- e) authorize the Debtors, with the oversight of the Monitor, to make payment of certain pre-filing expenses with respect to obligations incurred as a result of goods and services being supplied to the NSC Companies by necessary suppliers and insurance providers, in order to carry on business in a manner consistent with the preservation of their business operations and property; and
 - f) grant an Administration Charge and the Directors' Charge (each as defined below).
4. The Proposed Initial Order (if granted) along with application materials and other documents filed in the CCAA Proceedings, will be posted on the Proposed Monitor's website at www.alvarezandmarsal.com/northensilica.
5. Capitalized terms not defined in the Proposed Monitor's pre-filing report (this "**Report**") are as defined in the Proposed Initial Order and the Boland Affidavit (defined below).

PURPOSE

6. The purpose of this Report of the Proposed Monitor is to provide information to this Honourable Court in respect of the following:
- a) qualifications of A&M to act as Monitor;
 - b) summary of NSC Companies' background, assets and liabilities, and secured debt obligations;
 - c) an overview of the combined cash flow projection of the Debtors and the Proposed Monitor's comments regarding the reasonableness thereof pursuant to section 23(1)(b) of the CCAA;
 - d) the Court ordered charges sought in the Proposed Initial Order; and
 - e) the Proposed Monitor's conclusions.

7. This Report should be read in conjunction with the Affidavit of Martin Boland sworn June 26, 2020 (the “**Boland Affidavit**”) and filed in support the CCAA Application.

TERMS OF REFERENCE AND DISCLAIMER

8. In preparing this Report, A&M, in its capacity as the Proposed Monitor, has been provided with and has relied upon unaudited financial information and the books and records prepared by the NSC Companies and has held discussions with the Debtors’ management and their respective counsel and directors (collectively, the “**Information**”). Except as otherwise described in this Report in respect of the Debtors’ cash flow forecast:
 - a) the Proposed Monitor has reviewed the Information for reasonableness, internal consistency and use in the context in which it was provided. However, the Proposed Monitor has not audited or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would wholly or partially comply with Canadian Auditing Standards (“**CASs**”) pursuant to the Chartered Professional Accountants Canada Handbook (the “**CPA Handbook**”) and, accordingly, the Proposed Monitor expresses no opinion or other form of assurance contemplated under CASs in respect of the Information; and
 - b) some of the information referred to in this Report consists of forecasts and projections. An examination or review of the financial forecasts and projections, as outlined in the CPA Handbook, has not been performed.
9. Future oriented financial information referred to in this Report was prepared based on the Debtors’ estimates and assumptions. Readers are cautioned that since projections are based upon assumptions about future events and conditions that are

not ascertainable, the actual results will vary from the projections, even if the assumptions materialize, and the variations could be significant.

10. Unless otherwise stated, all monetary amounts contained in this Report are expressed in Canadian dollars.

A&M'S QUALIFICATIONS TO ACT AS MONITOR

Overview

11. A&M is a licensed trustee within the meaning of subsection 2(1) of the *Bankruptcy and Insolvency Act* (Canada) and is not subject to any of the restrictions on who may be appointed as monitor set out in section 11.7(2) of the CCAA. Specifically, A&M is not, and has never been:
 - a) a director, officer or employee of the Debtors;
 - b) related to the Debtors or to any director or officer of the Debtors;
 - c) the auditor, accountant or legal counsel, or a partner or an employee of the auditor, accountant or legal counsel, of the Debtors;
 - d) the trustee under a trust indenture issued by the Debtors or, to the best of its knowledge, any person related to the Debtors, or the holder of a power of attorney under an act constituting a hypothec within the meaning of the Civil Code of Quebec that is granted by the Debtors or, to the best of its knowledge, any person related to the Debtors; or
 - e) to the best of its knowledge, related to the trustee, or the holder of a power of attorney, referred to in paragraph 11(d), above.
12. Accordingly, A&M is of the view that the restrictions as to who may be appointed as a Monitor under section 11.7(2) of the CCAA do not preclude A&M from acting as Monitor for the Debtors.

13. On May 29, 2020, Alvarez & Marsal Canada ULC (“**A&M ULC**”), an affiliate of A&M, was engaged as a financial advisor to the NSC Companies. In the role as financial advisor, A&M ULC from time to time reviewed and analyzed alternative restructuring scenarios available to the Company, reviewed and analyzed the Debtors’ cash flow forecasts and assisted the Debtors and the Moving Parties in the preparation of the filing materials for an application for an initial order under the CCAA. As a result, the Proposed Monitor is familiar with the business and operations of the NSC Companies, their personnel, and the key issues and stakeholders in the proposed CCAA Proceedings.
14. The senior A&M professional personnel with carriage of this matter include experienced insolvency and restructuring practitioners who are Chartered Professional Accountants (Chartered Accountants), Chartered Insolvency and Restructuring Professionals and Licensed Insolvency Trustees, and who have previously acted in CCAA matters of a similar nature in Canada.
15. A&M has consented to act as the Monitor in these proceedings should this Honourable Court grant the Proposed Initial Order. A copy of A&M’s consent to act as Monitor is attached hereto as Appendix “A” to this Report.
16. The Proposed Monitor has retained Torys LLP to act as its proposed independent legal counsel in the CCAA proceedings.

BACKGROUND

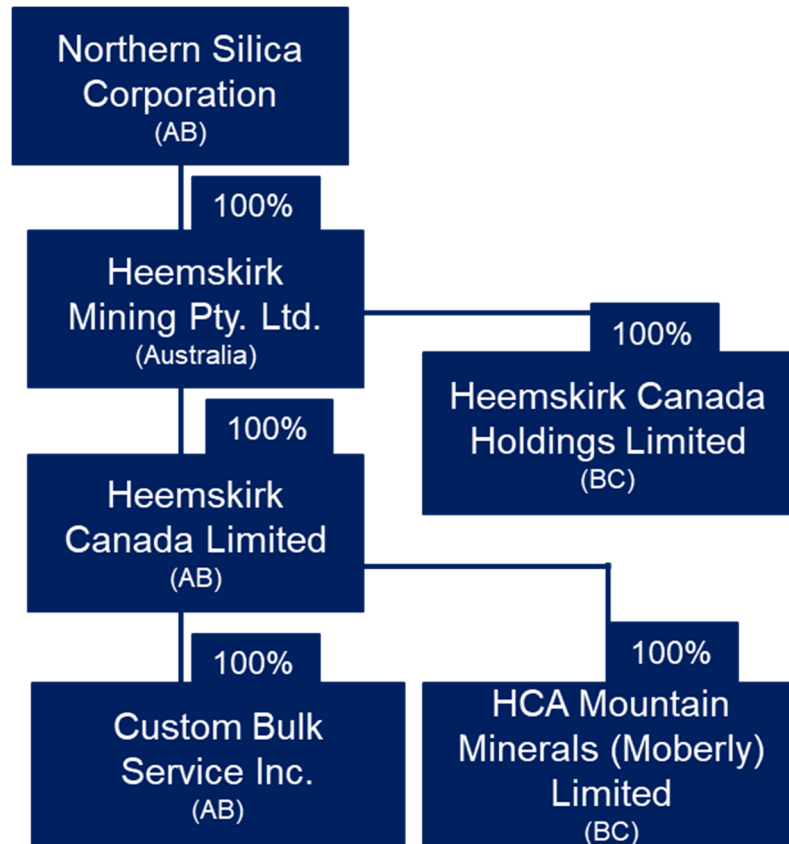
Overview

17. As further detailed in the Boland Affidavit, Northern Silica Corporation, together with its wholly-owned subsidiaries (i.e. the Debtors) is a privately-held Canadian resource company headquartered in Calgary, Alberta, focused on two operating segments: (i) operation of the Moberly Silica Mine division that is located near Golden, British Columbia (the “Moberly Plant”); and (ii) the transload segment that provides transloading and storage services, which is located in Penhold, Alberta (the “Penhold Facility”).

18. Moberly is a high-grade silica deposit that has recently been redeveloped with a state-of-the-art processing facility capable of producing premium quality frac sand and other high-grade silica products. It is the only “white silica” producer in Canada.
19. The Moberly deposit is a large-scale and high-grade quartzite silica ore body located on the slopes of Mount Moberly, approximately 7 kilometers north of Golden, British Columbia. The deposit is uniquely high-grade with an average grade SiO₂ content of 99.7%. Currently, the Proposed Monitor has been advised that the Debtors’ identified resources are capable of supporting a mine life of approximately 35 years. The deposit also exhibits strong exploration upside. The Moberly processing facility is capable of producing approximately 300,000 tonnes per annum of premium frac sand as well as a range of other high-grade silica products. The product, named “Mount Moberly White” was sold as a proppant, which is often used as a part of the process of hydraulic fracturing, more commonly known as “fracking”.
20. Northern Silica suspended operations at the Moberly Plant in February of 2020 largely as a result of a significant decline of the fracking market and uncertainty of the market due to continued pipeline disputes and the current ongoing downturn of the oil patch. As a result, Northern Silica is currently in a care and maintenance state currently employing approximately 13 versus 51 employees that it had prior to the facility shut-down.
21. 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.

Corporate Overview

22. An organizational chart of the NSC Companies is attached hereto as Appendix “B” to this Report. In summary, the Debtors’ corporate structure consists of the following 6 entities and are owned by various shareholders:



23. On a consolidated basis, as at March 31, 2020, total net book value of the assets liabilities are approximately \$66.0 million and \$89.8 million, respectively (with current assets and current liabilities being approximately \$5.7 million and \$84.9 million, respectively).
24. The Company’s assets are generally spread across the six entities that collectively form the NSC Companies. Specifically, the following assets are situated in the entities as indicated below:
- a) Northern Silica Corporation (AB) (“NSC”). NSC is an Alberta-based private corporation, which is the parent company of the entire Debtors’

organization. NSC owns 100% of the common shares of HMP and HCH (each as defined below). The outstanding common shares of NSC are owned by:

- i. Taurus with just over 50%;
 - ii. First Samuel Limited with approximately 39%;
 - On June 11, 2020, the board of directors of NSC received notice of a share transfer from First Samuel to Marc Rabinov (who was a minority shareholder, previous to this) who is expecting to become the beneficial holder of 40.06% of the outstanding shares; and
 - iii. Minority shareholders made up of individual retail investors of approximately 10%;
- b) Heemskirk Mining Pty Ltd. (Aus) (“**HMP**”). HMP is an Australian holding company that owns 100% of the common shares of HCH and HCL. HMP is wholly owned by NSC;
 - c) Heemskirk Canada Holdings Limited (BC) (“**HCH**”). HCH is a British Columbia private corporation. HCH owns the real property on which the Moberly Plant is located;. HCH is wholly owned by HMP;
 - d) Heemskirk Canada Limited (AB) (“**HCL**”). HCL is an Alberta based holding company and is the organization’s Corporate Head Office. HCL’s assets and liabilities are minimal; however, there are several commitments it has, such as head office payroll, office lease, the engagement of certain consultants (legal, tax). HCL is wholly owned by HMP;
 - e) HCA Mountains Mineral (Moberly) Limited (BC) (“**HCA Moberly**”). HCA Moberly is the British Columbia based operating company and is

wholly owned by HCL. HCA Moberly has the following assets and liabilities:

- i. Assets – Moberly Plant; rail siding, propane infrastructure, other equipment, and the key mineral/mining leases and claims from the Ministry of Energy and Mines;
 - ii. Liabilities - QMetco secured working capital facility, Taurus senior secured facility, First Samuel unsecured loan notes;
 - iii. Commitments – care and maintenance payroll, crusher and propane rentals and other equipment rental; and
- f) Custom Bulk Service Inc. (AB) (“**CBS**”). CBS is an Alberta based operating company located in Penhold, Alberta. CBS is wholly owned by HCL. CBS has the following assets and liabilities:
- i. Assets – Penhold Facility, real property on which the Penhold Facility is located, rail siding, rail cars and other equipment;
 - ii. Liabilities – ATB Financial (“**ATB**”) mortgages of approximately \$1.3 million; and
 - iii. Commitments – care and maintenance payroll, a rail car lease and certain equipment rentals.

25. The Proposed Monitor is advised that the inclusion of the above Debtors in the CCAA Proceeding is a fundamental aspect of the restructuring plan and the Debtors are of the view that this filing structure will allow for the maximization of value in the within case.

Material Secured Creditors

26. The material secured debt obligations of the Debtors are the following:

- a) A senior secured loan provided by Taurus Funds Management PTY LTD, as trustee for Taurus, to HCA Moberly in the amount of \$53.2M as at May 31, 2020 (the “**Taurus Loan**”). The Taurus Loan is secured over a first charge on the assets of HCA Moberly;
 - b) A working capital facility provided by QMetco to HCA Moberly in the amount of \$21.5M as at May 31, 2020 (the “**QMetco Secured Facility**”). The QMetco Secured Facility has a fixed charge against the assets of HCA Moberly. Pursuant to an intercreditor agreement dated December 6, 2019, between Taurus and QMetco, the obligations of HCA Moberly under the Taurus Loan were postponed and subordinated to the obligations of HCA Moberly under the QMetco Secured Facility; and
27. Two secured term loans provided to CBS, by ATB, in an amount totaling \$1.3M as at May 31, 2020 (the “**ATB Indebtedness**”). Both loans are secured by land held by CBS and certain corporate guarantees. On February 15, 2018, ATB, HCL and Taurus entered into a subordination agreement whereby ATB postponed the ATB Indebtedness and its security against HCL to Taurus as senior secured lender (the “**Subordination Agreement**”). The Subordination Agreement does not apply to debt or security in respect of CBS. As such, ATB appears to be the primary secured creditor in respect of the assets of CBS. Further details with respect to the NSC Companies’ business operations, corporate organization, restructuring plan, and other financial information are included in the Boland Affidavit.

CCAA CASH FLOW FORECAST

28. For purposes of paragraph 10(2)(a) of the CCAA, the NSC Companies have prepared a weekly cash flow forecast (the “**Cash Flow Forecast**”) for the 13-week period from June 30, 2020 to September 25, 2020 (the “**Forecast Period**”), using the probable and hypothetical assumptions set out in the notes to the Cash Flow Forecast. A copy of the Cash Flow Forecast, together with a summary of

assumptions and Management's representation letter are attached hereto as Appendix "C" and "D", respectively.

29. The Cash Flow Forecast is summarized below:

Northern Silica Corporation 13-Week Cash Flow Forecast ending September 25, 2020 \$CAD		
	Initial Stay Period	13-week Total
Cash Receipts		
Rental Income	\$ 11,500	\$ 35,500
Miscellaneous	307,400	\$ 466,500
	\$ 318,900	\$ 502,000
Cash Disbursements		
Salaries & Wages	\$ (67,300)	\$ (427,000)
General & Administrative	(57,100)	\$ (539,300)
Capital Expenditures	-	\$ (90,000)
Contingency	-	\$ (150,000)
Restructuring Professional Fees and Costs	-	\$ (620,000)
	(124,400)	(1,826,300)
Net Cash Flow	\$ 194,600	\$ (1,324,300)
Opening Cash	\$ 157,800	\$ 157,800
Net cash flow	194,600	(1,324,300)
Proposed Interim Financing Advance/Payment	-	-
Ending Cash	\$ 352,400	\$ (1,166,500)

30. The Cash Flow Forecast projects that the Debtors will experience a net cash outflow of approximately \$1.17 million over the Forecast Period and is based on the following key assumptions:

- a) forecast receipts of \$502,000 consist primarily of \$35,500 from rental income, and approximately \$466,500, which is made up of a payout from an insurance claim as well as the Canada Emergency Wage Subsidy program enacted due to the COVID-19 pandemic;

- b) forecast disbursements of approximately \$1 million relate primarily to ordinary course payments including payroll and related costs, repairs and maintenance, fuel, general and administrative costs, insurance, contingency and other minimal operating costs; and
 - c) professional fees are forecast to be approximately \$620,000 during the Forecast Period and include the Debtors' counsel, the Proposed Monitor and its independent legal counsel.
31. Accordingly, it appears the Debtors will experience a cash shortfall over the Forecast Period totaling \$1.3 million and the shortfall is anticipated to occur starting Week 5. It is anticipated that the Debtors will be bringing an application for interim financing and the related interim lender's charge, at the comeback application presently scheduled for July 10, 2020 (the "**Comeback Hearing**"). This interim financing amount includes funding of post-filing operations and expenses, including professional fee costs and anticipated sales agent costs, as the NSC Companies will not have continued access to their existing operating facility.
32. Pursuant to section 23(1)(b) of the CCAA and in accordance with the Canadian Association of Insolvency and Restructuring Professionals Standards of Professional Practice No. 9, the Proposed Monitor hereby reports as follows:
- a) the Cash Flow Forecast has been prepared by Management for the purpose described in the notes to the Cash Flow Forecast, using probable and hypothetical assumptions as set out in the notes;
 - b) the Proposed Monitor's review of the Cash Flow Forecast consisted of inquiries, analytical procedures, and discussion related to information supplied to it by Management. Since hypothetical assumptions need not be supported, the procedures with respect to them were limited to evaluating whether they were consistent with the purposes of the Cash Flow Forecast. The Proposed Monitor also reviewed the support

provided by Management for the probable assumptions and the preparation and presentation of the Cash Flow Forecast;

c) based on the Proposed Monitor's preliminary review of the Cash Flow Forecast, nothing has come to its attention that causes A&M to believe that, in all material respects:

- i. the hypothetical assumptions are not consistent with the purpose of the Cash Flow Forecast;
- ii. as at the date of this Report, the probable assumptions developed by Management are not suitably supported and consistent with the plans of the Debtors or do not provide a reasonable basis for the Cash Flow Forecast, given the hypothetical assumptions; or
- iii. the Cash Flow Forecast does not reflect the probable and hypothetical assumptions; and

d) since the Cash Flow Forecast is based on assumptions regarding future events, actual results will vary from the information presented even if the hypothetical assumptions occur, and the variations may be material. Accordingly, A&M does not express any assurance as to whether the Cash Flow Forecast will be accurate. A&M does not express any opinion or other form of assurance with respect to the accuracy of any financial information presented in this Report, or relied upon by us in preparing this Report.

33. The Cash Flow Forecast has been prepared solely for the purpose described above, and readers are cautioned that it may not be appropriate for other purposes.

COURT ORDERED CHARGES SOUGHT BY APPLICANTS

34. The Proposed Initial Order provides for two charges (collectively, the "**Charges**"), as described below.

Administration Charge

35. The Proposed Initial Order provides for a charge on the Debtors' property in an amount not to exceed \$100,000, in favour of the Monitor, the counsel to the Monitor, and the Debtors' counsel, to secure payment of their professional fees and disbursements, whether incurred before or after the date of the Initial Order (the "**Administration Charge**"). The Administration Charge is to be granted in priority of all other charges.
36. To date, the Debtors have incurred professional fees in preparation for the CCAA Proceedings, which are currently outstanding, and the Debtors anticipate further fees to be incurred from the filing date until the Comeback Hearing with respect to preparing for the Comeback Hearing, communicating with employees and stakeholders following the initial filing, developing a Sale and Investor Solicitation Process ("**SISP**"), reporting to the lenders and other stakeholders, and complying with statutory notices, mailings and communications.
37. The Proposed Monitor believes that it is appropriate for the proposed beneficiaries of the Administration Charge, being non-stakeholders to the CCAA Proceedings, to be afforded the Administration Charge as they will be undertaking a necessary and integral role in the CCAA Proceedings.
38. It is the view of the Proposed Monitor that the quantum of the proposed Administration Charge is reasonable and appropriate in the circumstances, having regard to the scale and complexity of the CCAA Proceedings, the services to be provided by the beneficiaries of the Administration Charge and the size of the similar charges approved in similar proceedings.

Directors' and Officers' Charge

39. The Proposed Initial Order provides for a charge in an amount not to exceed \$85,000 in favour of the directors and officers of the Debtors, on the Debtors' property (the "**Directors' Charge**"), subordinate to the Administration Charge.

40. The Directors' Charge is intended to address potential claims that may be brought against directors and officers that are not covered under existing insurance or to the extent coverage is insufficient to cover such claims.
41. As described in the Boland Affidavit, the Debtors' directors and officers have the benefit of directors' and officers' liability insurance coverage, which is maintained by ENCON Group Inc., as the policy holder (the "**D&O Coverage**"). The D&O Coverage provides for \$5 million in coverage.
42. It is the Proposed Monitor's view that the continued support and services of the directors and officers of the Debtors during the CCAA Proceedings would be beneficial to the Debtors' efforts to preserve value and maximize recoveries for stakeholders through completion of the CCAA Proceedings. The Proposed Monitor has reviewed the underlying assumptions upon which the Debtors have based the estimate of the potential liability in respect of the directors' statutory obligations, and is of the view that the Directors' Charge is reasonable in relation to the quantum of the estimated potential liability and appropriate in the circumstances.

PROPOSED STAY OF PROCEEDINGS

43. The Applicants are seeking a stay of proceedings on behalf of the Debtors until and including July 10, 2020, or such later date as this Court may order (the "**Initial Stay Period**"). The requested Initial Stay Period provides that no proceeding (a "**Proceeding**") or enforcement process (an "**Enforcement**") in any court or tribunal shall be commenced or continued against or in respect of the Debtors or the Monitor, or affecting the Debtors' business or its property, except with the written consent of the Debtors and the Monitor, or with leave of this Court and any Proceeding or Enforcement currently underway against or in respect of the Debtors or affecting the Debtors' business or their property is stayed and suspended pending further Order of the Court.
44. The Initial Stay Period would allow the Debtors the initial time required to restructure in a manner that preserves value for all stakeholders.

CONCLUSIONS

45. The Proposed Initial Order and Stay of Proceedings will provide the Debtors with stability while pursuing and implementing a restructuring strategy.
46. The Debtors have available liquidity for the period of the Initial Stay Period and are planning to seek Court approval of an interim financing arrangement at a subsequent hearing scheduled for July 10, 2020.
47. The Proposed Monitor anticipates filing a further report with this Honourable Court in respect of the additional relief being sought at the Comeback Hearing.

All of which is respectfully submitted to this Court this 29th day of June, 2020.

**ALVAREZ & MARSAL CANADA INC.,
in its capacity as Proposed Monitor of
Northern Silica Corporation, Heemskirk Mining Pty. Ltd.,
Heemskirk Canada Holdings Limited, Heemskirk Canada Limited,
Custom Bulk Services Inc. and HCA Mountain Minerals (Moberly) Limited**



Orest Konowalchuk, CPA, CA, CIRP, LIT
Senior Vice-President

APPENDIX A

Consent to Act

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 **CONSENT TO ACT**

CONTACT
INFORMATION OF
PARTY FILING THIS
DOCUMENT:

Cassels Brock & Blackwell LLP
Suite 3810, Bankers Hall West
888-3RD Street SW
Calgary, AB T2P 5C5
Phone: 403-351-2921
Fax: 403-648-1151
Attention : Jeffrey Oliver
Email: joliver@cassels.com

Alvarez & Marsal Canada Inc. consents to act as CCAA monitor on terms substantially provided in the draft Initial Order contained in the application filed in the within proceeding.

DATED at the City of Calgary, in the Province of Alberta, this 23rd day of June, 2020.

Alvarez & Marsal Canada Inc.



Per:

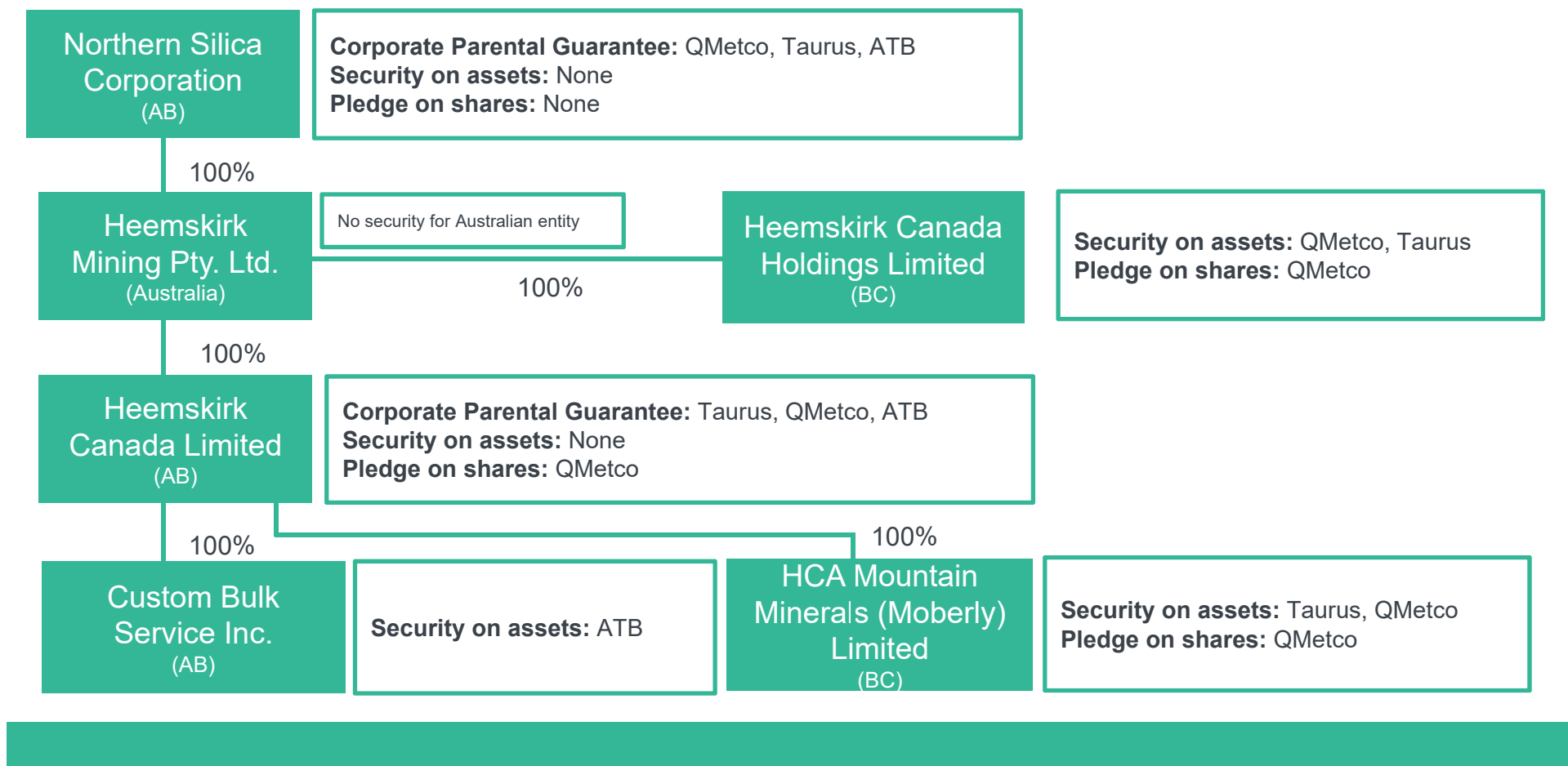
Name: Orest Konowalchuk, CPA-CA, CIRP, LIT

Title: Senior Vice President

APPENDIX B

Organization Chart

Northern Silica Corporate Chart (Security Review)



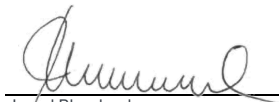
APPENDIX C

Cash Flow Forecast and Assumption

		Initial Stay Period														
Northern Silica Corporation																
13-Week Cash Flow Forecast ending September 25, 2020																
\$CAD																
	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	22,400	-	42,200	25,000	-	-	42,200	-	7,500	-	42,200	-	\$ 466,500	2	
	\$ 296,500	\$ 22,400	\$ -	\$ 42,200	\$ 37,000	\$ -	\$ -	\$ 42,200	\$ 12,000	\$ 7,500	\$ -	\$ 42,200	\$ -	\$ 502,000		
Cash Disbursements																
Salaries & Wages	\$ (67,300)	\$ -	\$ (67,000)	\$ -	\$ (67,000)	\$ -	\$ (66,900)	\$ -	\$ (66,900)	\$ -	\$ (25,100)	\$ (41,800)	\$ (25,100)	\$ (427,000)	3	
General & Administrative	(49,400)	(7,700)	(74,700)	(26,600)	(152,400)	(6,500)	(7,100)	(35,700)	(108,500)	(21,400)	(6,000)	(36,800)	(6,700)	\$ (539,300)	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	
	(116,700)	(7,700)	(141,600)	(26,600)	(634,300)	(6,500)	(74,000)	(35,700)	(255,300)	(176,400)	(31,100)	(78,600)	(241,800)	(1,826,300)		
Net Cash Flow	\$ 179,800	\$ 14,800	\$ (141,600)	\$ 15,500	\$ (597,300)	\$ (6,500)	\$ (74,000)	\$ 6,500	\$ (243,300)	\$ (168,900)	\$ (31,100)	\$ (36,400)	\$ (241,800)	\$ (1,324,300)		
Opening Cash																
Net cash flow	\$ 157,800	\$ 337,600	\$ 352,400	\$ 210,700	\$ 226,300	\$ (371,100)	\$ (377,600)	\$ (451,600)	\$ (445,100)	\$ (688,400)	\$ (857,300)	\$ (888,400)	\$ (924,800)	\$ 157,800		
Proposed Interim Financing Advance/Payment	179,800	14,800	(141,600)	15,500	(597,300)	(6,500)	(74,000)	6,500	(243,300)	(168,900)	(31,100)	(36,400)	(241,800)	(1,324,300)		
Ending Cash	\$ 337,600	\$ 352,400	\$ 210,700	\$ 226,300	\$ (371,100)	\$ (377,600)	\$ (451,600)	\$ (445,100)	\$ (688,400)	\$ (857,300)	\$ (888,400)	\$ (924,800)	\$ (1,166,500)	\$ (1,166,500)		
Proposed Interim Financing																
Proposed Interim Financing - Maximum	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
(Advance) / Payment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Cumulative interim loan availability	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	

UNAUDITED CASH FLOW FORECAST PREPARED BY MANAGEMENT, MUST BE READ IN CONJUNCTION WITH THE NOTES AND ASSUMPTIONS & PROPOSED MONITOR'S REPORT ON THE CASH FLOW STATEMENT

Northern Silica Corporation


Jerad Blanchard
CFO

29 June 2020

Date

Alvarez & Marsal Canada Inc., in its capacity as Proposed Monitor of
Northern Silica Corporation, and not in its personal or corporate capacity



Orest Konowalchuk, CPA, CA, CIRP, LIT
Senior Vice President

29 June 2020

Date

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.

Overall	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.
	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.
1	The rental income relates to the NSC Companies providing storage to third parties using the NSC Companies' storage facilities located in Penhold, Alberta.
2	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
3	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.
4	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
5	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
6	A contingency of \$50,000 per month has been included in the forecast to cover any unforeseen expenditures.
7	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.

APPENDIX D

Management Representation Letter on the Cash Flow Forecast

June 26, 2020

Alvarez & Marsal Canada Inc.
Bow Valley Square 4
Suite 1110, 250 6th Ave SW
Calgary, AB T2P 3H7

Attention: Orest Konowalchuk

Dear Sirs:

Re: Proceedings under the *Companies' Creditors Arrangement Act*
("CCAA") for
NORTHERN SILICA CORPORATION, HEEMSKIRK MINING PTY. LTD.,
HEEMSKIRK CANADA HOLDINGS LIMITED, HEEMSKIRK CANADA
LIMITED, CUSTOM BULK SERVICES INC., AND HCA MOUNTAIN
MINERALS (MOBERLY) LIMITED (collectively, the "NSC Companies")

**Responsibilities/Obligations and Disclosure with Respect to Cash
Flow Projections**

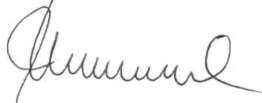
In connection with the application of the NSC Companies for the commencement of proceedings under the CCAA in respect of the NSC Companies, the management of the NSC Companies ("Management") prepared the attached cash flow statement and the assumptions on which the cash flow statement is based.

NSC Companies confirms that:

1. the cash flow statement and the underlying assumptions are the responsibility of NSC Companies;
2. all material information relevant to the cash flow statement and to the underlying assumptions has been made available to Alvarez & Marsal Canada Inc. in its capacity as Proposed Monitor; and
3. Management has taken all actions that it considers necessary to ensure:
 - a. that the individual assumptions underlying the cash flow statement are appropriate in the circumstances;
 - b. that the assumptions underlying the cash flow statement, taken as a whole, are appropriate in the circumstances; and
 - c. that all relevant assumptions have been properly presented in the cash flow statement or in the notes accompanying the cash flow statement.

4. Management understands and agrees that the determination of what constitutes a material adverse change in the projected cash flow or financial circumstances, for the purposes of your monitoring the on-going activities of the Debtor, is ultimately at your sole discretion, notwithstanding that Management may disagree with such determination.
5. Management understands its duties and obligations under the CCAA and that breach of these duties and obligations could make NSC Companies Management liable to fines and imprisonment in certain circumstances.
6. The cash flow statement and assumptions have been reviewed and approved by the NSC Companies' board of directors or Management has been duly authorized by NSC Companies' board of directors to prepare and approve the cash flow assumptions.

Yours Truly,



Name: Jerrad Blanchard
Title: Chief Financial Officer