

Acquisition Opportunity: Northern Silica Corporation

Premier, Integrated Silica Sand Provider

Summer 2020



Acquisition Opportunity

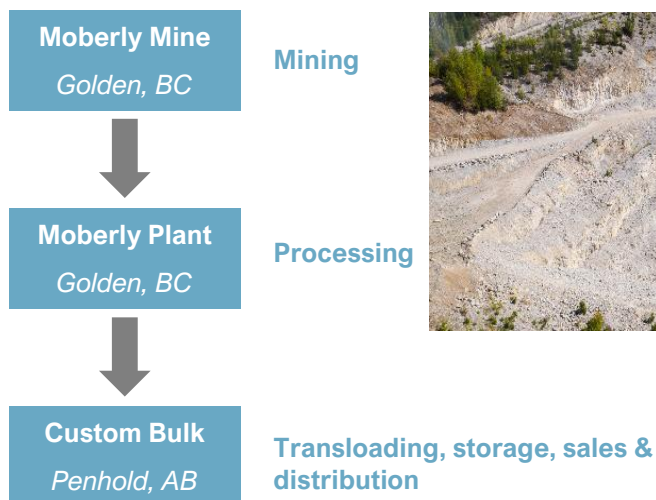
Introduction

Northern Silica Corporation and its related entities (“NSC” or the “Company”) specializes in supplying frac sand and other silica products. NSC owns the Moberly Mine Silica Plant (Moberly), an integrated mining and processing operation located just north of Golden, BC. In addition, NSC owns Custom Bulk Services Inc. (“Custom Bulk”), a Penhold, AB based transloading and storage facility for silica delivery across North America.






Transaction Objectives

On June 30, 2020 NSC was granted an order by the Court of Queen’s Bench of Alberta under CCAA. On July 27, 2020, the court approved a SISP with Whitehorn appointed as Sales Advisor and is soliciting proposals from qualified interested parties on the business and/or assets of NSC.

Offerings



Key Investment Attributes

-  Finished products from the Moberly Mine deposits have an average SiO₂ content grade of **99.7%**.
-  Experienced personnel with deep understanding of silica production process and quality control.
-  Strategically located to serve the Western Canadian Sedimentary Basin’s oil and gas industry, as well as easy access to markets throughout North America.
-  Production capacity of up to 700 MT per day.¹
-  Significant prior investment and effort dedicated for mine and plant completion and improvement, primarily positioned for returning economic activity.

Note:

1. Mine capacity and resource base are based on management’s current estimates. There are no NI 43-101 or JORC compliant resource estimates for the resource.

Moberly Overview

- End products serve various industries including oil and gas, glass manufacturing, industrial and landscaping.
- The roundness and sphericity of the Mount Moberly White™ frac proppant exceeds ISO 13503-2 and API specifications.
- Mount Moberly White™ frac proppant is available in various mesh sizes: 20/40, 30/50, 40/70 and 100 mesh.
- Designed to liberate sand grains from quartz silica run-of-mine, one of the only facilities in North America offering this added benefit.
- Currently in care & maintenance (C&M) mode since February 2020 and is operating with a reduced staff count of 14.

Management Resource Estimate

A simple volumetric estimate of the deposit by management suggests ~50 million cubic meters of material exists and can be potentially mined. The results from a 2019 exploration drilling exercise supports this. There are currently no NI43-101 compliant reserves or resource reports. Further drilling and testing are required to determine the exact resource estimate.

Custom Bulk Overview

- Receives frac sand via rail or truck from Moberly as well as third party frac sand suppliers, which is then sold to end customers.
- Owns 24 bins with 5,000 MT of storage capacity, with additional room to expand.
- Located right on the CP Railway main line and has access to the CN Railway rail line.

Capital Asset Summary

No.	Description	NBV (C\$ mil)
1.	Mine development	14.4
2.	Land & building	22.7
3.	Plant & equipment	10.2
5.	Construction in progress	6.7
Total:		54.0

Notes:

1. As at March 31, 2020.
2. During the period ending September 30, 2019, NSC recorded an impairment for its mine and its silica resource due to weakened activity levels across the drilling industry, industry trends and forecasts.
3. There were no impairment indicators as at March 31, 2020.

End Markets



NSC has future tax attributes worth up to C\$130 million.

SISP Process and Next Steps

The SISP is intended to solicit interest in completing a transaction in either one of two forms:

- An offer for the restructuring, recapitalization or refinancing of the Company by way of an investment of funds including a proposal to creditors; or
- The sale of all or substantially all of the Company's assets.

The SISP is conducted on an "as is, where is" basis. All qualified interested parties will be provided with an opportunity to participate in the SISP and are required to sign the non-disclosure agreement (NDA) that accompanies this teaser to receive access to additional information.

Phase / Event	Estimated Timing	Description of Activities
Start Date	July 28, 2020	The SISP is initiated.
Publication Notice	No more than five business days after Start Date.	Notice of SISP is published in The Globe and Mail (National Edition) and other appropriate publications.
Phase I	To last for approximately five weeks following the date of the SISP order.	Solicitation of non-binding letters of interest (LOI) from prospective strategic or financial parties to acquire or invest in the Company.
Phase I Bid Deadline	5pm MT, August 26, 2020	LOIs must be submitted by the specified deadline.
Assessment of LOIs	Within three business days of the Phase I Bid Deadline.	LOIs will be considered in regard to the SISP requirements, with qualified bidders advancing to Phase II.
Phase II	To last for approximately four weeks following the Phase I Bid Deadline.	Qualified bidders will conduct due diligence and prepare final bids / proposals specifying the structure of the proposed transaction.
Phase II Bid Deadline	5pm MT, September 24, 2020	Final bids / proposals must be submitted by the specified deadline. If a qualified bidder from outside of Canada requests for an extension, the Applicants, Monitor and the DIP Lender may extend the Phase II bid deadline for the foreign qualified bidder to not later than October 1, 2020.
Evaluation & Selection of Successful Bid	Within three business days of the Phase II Bid Deadline.	Terms of all final bids / proposals will be clarified. The Company will elect a final bid / proposal and the terms of the agreement will be negotiated; Court approval will be sought.
Closing	As agreed upon.	To occur on the agreed date subject to Court approval.

All inquiries, letters of intents, term sheets and other communication by qualified interested parties should be directed to:

- Andrew Tavender, 403-680-4066 or atavender@whmcapital.com, and
- Ray Chia, 587-889-4366 or rchia@whmcapital.com.

Whitehorn Merchant Capital Inc.
Suite 270, 333 – 24 Avenue SW, Calgary, Alberta T2S 3E6
403-718-9860 | www.whitehorncapital.com

