

COURT FILE NUMBER 2001-07984
COURT COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE CALGARY

Clerk's Stamp

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 **FIFTH REPORT OF THE MONITOR
ALVAREZ & MARSAL CANADA INC.**

NOVEMBER 16, 2020

ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT

MONITOR
ALVAREZ & MARSAL CANADA INC.
Bow Valley Square IV
Suite 1110, 250 – 6th Avenue SW
Calgary, Alberta T2P 3H7
Orest Konowalchuk / Cassie Riglin
Telephone: (403) 538-4736 / (403) 538-7519
Email: okonowalchuk@alvarezandmarsal.com
criglin@alvarezandmarsal.com.

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

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INTRODUCTION

1. On June 30, 2020, an initial order (“**Initial Order**”) was granted in relation to Northern Silica Corporation (“**NSC**”), Heemskirk Mining Pty. Ltd., Heemskirk Canada Holdings Limited, Heemskirk Canada Limited (“**Heemskirk Canada**”), Custom Bulk Services Inc. and HCA Mountain Minerals (Moberly) Limited (“**HCA Moberly**”) (collectively, the “**NSC Companies**” or the “**Debtors**”) pursuant to proceedings (the “**CCAA Proceedings**”) under the *Companies’ Creditors Arrangement Act*, RSC 1985, c C-36, as amended (the “**CCAA**”). Among other things, the Initial Order provided for a stay of proceedings until July 10, 2020 (the “**Stay Period**”).
2. The initial application in the CCAA Proceedings was brought by QMetco Limited (“**QMetco**”) and Taurus Resources No. 2 B.V. (“**Taurus**”, and together with QMetco, the “**Secured Creditors**”), who are the senior secured creditors of the Debtors, with the exception of Custom Bulk Services Inc. (“**Custom Bulk**”).
3. Pursuant to the Initial Order, Alvarez & Marsal Canada Inc., (“**A&M**”) was appointed as monitor (the “**Monitor**”) in the CCAA Proceedings.
4. On July 10, 2020, the Debtors were granted an Order amending and restating the Initial Order (the “**ARIO**”), which provided for an Interim Facility and increases to the Charges (as such terms are defined in the Monitor’s First Report dated July 3, 2020 (the “**First Report**”)), and included an extension to the stay of proceedings to August 7, 2020.
5. On July 27, 2020, the Debtors were granted Orders which, *inter alia*, authorized the Sale and Investment Solicitation Process (the “**SISP**”) and approved the stalking horse asset purchase agreement (the “**APA**”) (“**SISP Order**”).
6. Since the granting of the SISP Order, the Debtors received further orders that terminated the SISP, approved the APA with Vitreo (defined below), and extending the Stay Period to November 27, 2020. In addition, on October 22, 2020 an additional order was granted by this Honourable Court authorizing a new borrowing

arrangement between HCA Moberly and QMetco for tax purposes and closing matters on the APA.

7. On November 16, 2020, the Debtors filed a notice of application, to be heard by this Honourable Court on November 23, 2020, which if granted, would *inter alia*:
 - a) approve the actions, activities and conduct of the Monitor;
 - b) approve the Monitor's and its legal counsel's professional fees;
 - c) extend the Stay Period until the filing of the Monitor's Certificate (defined below);
 - d) discharge the Monitor; and
 - e) terminate the CCAA Proceedings.
8. Further information regarding these CCAA Proceedings, including the Initial Order, affidavits, reports of the Monitor and all other Court-filed documents and notices are available on the Monitor's website at www.alvarezandmarsal.com/northersilica (the "**Monitor's Website**").

PURPOSE

9. The purpose of this fifth report of the Monitor (the "**Fifth Report**" or "**this Report**") is to provide information to this Honourable Court in respect of the following:
 - a) the activities of the Monitor since the Fourth Report dated October 20, 2020 (the "**Fourth Report**"), including the closing of the APA;
 - b) the post closing requirements of the Monitor;
 - c) a comparison of the Debtors' final actual cash receipts and disbursements to the cash flow forecast, as reported in prior reports of the Monitor, for the period June 30, 2020 to November 13, 2020;
 - d) the request for approval of the professional fees and costs of the Monitor and its legal counsel;

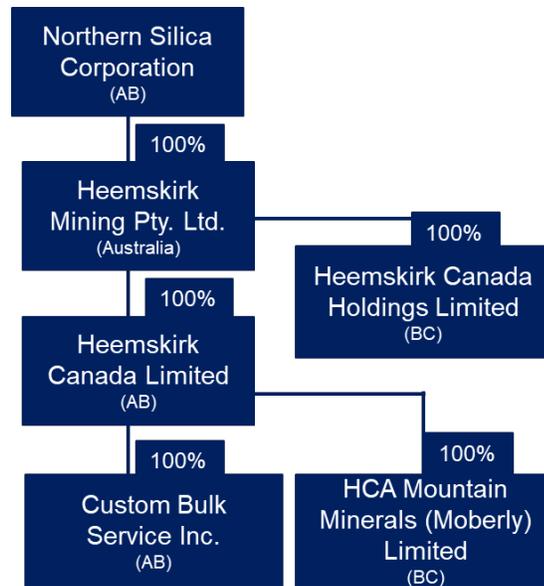
- e) the request for the discharge of the Monitor and termination of these CCAA Proceedings;
 - f) the request for a further an extension of the Stay Period for purposes of filing the Monitor’s Certificate (defined below); and
 - g) the final recommendations of the Monitor.
10. Capitalized words or terms not defined in this Report are as defined in the previous reports of the Monitor.
11. All references to dollars are in Canadian currency.

TERMS OF REFERENCE AND DISCLAIMER

12. In preparing this Fifth Report, A&M, in its capacity as the Monitor, has been provided with, and has necessarily relied upon, unaudited financial information and other information (the “**Information**”), and representations made to it, by certain senior management of the NSC Companies (“**Management**”). Although this information has been subject to review, A&M has not conducted an audit nor otherwise attempted to verify the accuracy or completeness of any of the information prepared by Management or otherwise provided by the Debtors. Accordingly, A&M expresses no opinion and does not provide any other form of assurance on the accuracy and/or completeness of any information contained in this Report, or otherwise used to prepare this Report.

BACKGROUND

13. The Debtors’ corporate structure consists of the following 6 entities, which are owned by various shareholders, as displayed below:



14. Further details with respect to the NSC Companies’ business operations, corporate organization, restructuring plan, and other financial information, including the Debtors’ assets, liabilities and key secured creditors are included in the prior reports filed by the Monitor and various affidavits filed by the Debtors and/or the Applicants in these CCAA Proceedings, which are available on the Monitor’s Website.

ACTIVITIES OF THE MONITOR SINCE THE FOURTH REPORT

15. Since the Fourth Report, the Monitor’s activities have included, amongst other things:
- a) conducting ongoing discussions with Management, employees, advisors and the Debtors’ legal counsel and the Debtors’ special committee of board members, regarding the Debtors’ business and financial affairs;
 - b) engaging in discussions with the Debtors, the Debtors’ legal counsel as well as the Purchaser’s legal counsel with respect to closing the transactions contemplated in the APA;

- c) continuing communication and utilization of the Monitor's independent legal counsel, Torys LLP ("**Torys**");
- d) communicating with and attending to various inquiries from trade creditors, secured creditors and other stakeholders, and assisting with arrangements with various suppliers regarding the ongoing supply of goods and services;
- e) reviewing the Debtors' cashflow results on a weekly basis and communicating with the Interim Lender (as defined in the First Report), accordingly;
- f) monitoring the status of the dispute in respect of the disclaimer ("**Notice of Disclaimer**") issued to TrinityRail Canada Inc. ("**TrinityRail**"), as discussed in previous reports. All leased railcars are expected to be returned to TrinityRail by November 17, 2020, and it is anticipated that TrinityRail will withdraw its application to set aside the Notice of Disclaimer after the railroad cars are returned; and
- g) administering the collection of proceeds from the APA and arranging to make payment of various invoices on behalf of the Debtors in accordance with the APA.

Canada Revenue Agency Audit

- 16. On October 22, 2020, Canada Revenue Agency ("**CRA**") advised NSC that it was conducting an audit in respect of NSC's payroll from the period of June 30, 2018 to June 30, 2020 (the "**Audit**").
- 17. NSC has no employees and the NSC Companies do not anticipate any liability arising from the Audit.
- 18. The Purchaser will undertake to assist CRA with the Audit to the extent requested by CRA, and the Monitor is supportive of this approach.

CLOSING OF THE APA

19. As discussed and defined in prior reports of the Monitor, the NSC Companies negotiated and executed the APA with the Purchaser, an entity affiliated with the Secured Creditors and the Interim Lender, dated July 21, 2020, which was approved by the Court pursuant to a Sale Approval and Vesting Order granted on September 11, 2020 (the “SAVO”).
20. The transaction contemplated under the APA successfully closed on October 22, 2020.

POST CLOSING REQUIREMENTS

21. The NSC Companies are seeking an extension of the Stay Period up to and until the filing of a certificate by the Monitor confirming that the outstanding administrative items within the CCAA Proceedings described below are complete (the “**Monitor’s Certificate**”).
22. Such outstanding administrative items are briefly described as follows:
 - (a) NSC applied for and received a rent subsidy of approximately \$34,000 from the Federal Government (the “**Rent Subsidy**”). The Rent Subsidy is expected to be paid to NSC in the next month.
 - (b) Canadian Pacific Limited (“CP”) has not yet agreed to a form of assignment to assign to the Purchaser an agreement for private siding, dated January 1, 1980 between Canadian Pacific Limited, as railway company, and Mountain Minerals Co. Ltd. (now HCA Mountain Minerals (Moberly) Limited) and Custom Bulk (the “**Siding Agreements**”). Moberly expects to work with CP to facilitate an assignment of the Siding Agreements to the Purchaser in the coming weeks.
 - (c) The NSC Companies are working to transfer a number of remaining permits of various types to the Purchaser in accordance with the APA. It is expected that such transfers will be completed over the next several weeks.

- (d) The Purchaser intends to obtain new loan facilities with ATB Financial (“**ATB**”) in the amounts of \$588,240 and \$576,269 to payout and discharge existing loans by ATB to Custom Bulk.
- (e) There are two outstanding letters of credit issued by the Canadian Imperial Bank of Commerce in favour of the BC Agricultural Land Commission in the aggregate amount of \$150,000 each. The letters of credit are in the name of Heemskirk Canada and are fully secured by cash collateral (“**Cash Collateral**”). Both letters of credit will be cancelled and the Cash Collateral will be returned to Heemskirk Canada.
- (f) Pursuant to the closing of the APA, the Monitor received \$396,148, in trust, for remittance of the Debtors’ final operating expenses, professional fees in relation to these CCAA Proceedings and GST owing as part of the closing of the APA (the “**Post Closing Payments**”). The Monitor continues to hold these funds in trust and will remit payment of the Post Closing Payments to the various vendors upon receipt of the final invoices.
- (g) The NSC Companies are seeking court approval to pay all remaining funds in their possession to the Monitor for further handling. Any amounts received in relation to the Rent Subsidy or Cash Collateral, and any residual funds remaining after payment of the Post Closing Payments, or any other funds in the possession of the NSC Companies (collectively the “**NSC Funds**”) will be paid by the Monitor to the Purchaser after payment of any remaining costs of administration of the CCAA Proceedings, including costs subject to the Charges (as defined in the Initial Order), if applicable.

ACTUAL CASH FLOW RESULTS COMPARED TO THE CASH FLOW FORECAST

- 23. The Debtors’ actual cash receipts and disbursements as compared to the Third Cash Flow Forecast presented in the Third Report of the Monitor dated September 4,

2020 during the period of August 29, 2020 to November 6, 2020 (the “**Reporting Period**”) is summarized below:

Northern Silica Corporation			
Cash Flow Variance Analysis - Prepared by Management			
Cumulative Year to Date for the Period June 30, 2020 to November 13, 2020			
\$CAD (in \$000's)			
	Forecast	Actual	Variance
Cash Receipts			
Rental Income	\$ 60	\$ 78	\$ 18
Miscellaneous	\$ 538	\$ 576	\$ 38
Interim Financing Advances	\$ 2,400	\$ 1,800	\$ (600)
	\$ 2,998	\$ 2,453	\$ (544)
Cash Disbursements			
Salaries & Wages	\$ (667)	\$ (579)	\$ 88
General & Administrative	\$ (1,201)	\$ (924)	277
Capital Expenditures	\$ (120)	\$ (126)	(6)
Contingency	\$ (150)	\$ -	150
Restructuring Professional Fees and Costs	\$ (915)	\$ (770)	144
Transfer of Funds	\$ -	\$ (130)	(130)
	\$ (3,053)	\$ (2,530)	\$ 523
Net Cash Flow	\$ (56)	\$ (76)	\$ (21)
Opening Cash	\$ 158	\$ 158	\$ -
Net cash flow	\$ (56)	(76)	\$ 21
Ending Cash	\$ 102	\$ 81	\$ 21

24. Over the Reporting Period, the Debtors experienced a negative cash flow variance of approximately \$21,000, primarily as a result of temporary timing differences, as well as some permanent variances which are described below:
- a) a positive permanent variance in rental income stems from unexpected silica sales to third parties that were not forecasted;
 - b) a positive permanent variance in miscellaneous receipts for a return on the office lease deposit, which was not initially forecasted;
 - c) a negative permanent variance in interim financing relating to less reliance and requirement of funds required during the Reporting Period;

- d) a positive permanent variance in salaries and wages and general and administrative expenses;
 - e) contingency forecast expenses were not required over the course of the CCAA Proceedings;
 - f) professional fees and costs paid to date to the NSC Companies' legal counsel's fees, the Monitor's fees and the Monitor's counsel's fees through to the end of September 2020. The positive timing variance is due to outstanding October and November fees that have yet to be paid; and
 - g) the transfer of funds relates to the amounts transferred from the Company to Cassels, Brock & Blackwell LLP, who is acting as an escrow party regarding the closing of the APA.
25. The NSC Companies currently hold approximately \$81,000 in available cash held in the NSC Companies' bank accounts. These funds will be transferred to the Monitor and will form part of the NSC Funds (as discussed above).

APPROVAL OF PROFESSIONAL FEES AND EXPENSES

26. The NSC Companies, on behalf of the Monitor, seek approval from this Honourable Court for the approval of the respective professional fees and disbursements of the Monitor and its legal counsel for the period from September 1, 2020 to the completion of the CCAA Proceedings. Previously, this Honourable Court approved and granted an order dated September 11, 2020 approving the fees of the Monitor and its legal counsel from the date of the Initial Order to August 31, 2020.
27. Professional fees and disbursements rendered by the Monitor, from September 1, 2020 to October 31, 2020, total \$117,910.50 (exclusive of GST).
28. Professional fees and disbursements rendered by Torys, the Monitor's counsel, from September 1, 2020 to October 31, 2020, total \$48,052.50 (exclusive of GST).
29. The Monitor and its counsel's accounts will be made available upon request and are summarized in Appendix "A" to this Report.

30. The Monitor and its counsel expect to incur professional fees associated with time spent dealing with the final CCAA matters as well as an associated administrative matters until discharge of approximately \$35,000.
31. The Monitor respectfully submits that its professional fees and disbursements and those of its legal counsel are fair and reasonable in the circumstances, given the tasks required to be performed by the Monitor and its legal counsel within the CCAA Proceedings, including, in respect of: (i) the SISP, (ii) the budget to actual reporting, and; (iii) the respective role as Monitor and its counsel.

DISCHARGE OF THE MONITOR

32. Following the payment of the completion of the administration of the CCAA Proceedings, as discussed above, the Monitor will file with this Honourable Court Monitor's Certificate, indicating that all administrative matters relating to these CCAA Proceedings are complete.
33. Following the filing of the Monitor's Certificate, the Monitor will have completed its duties under the CCAA with respect to the CCAA Proceedings and all claims against the Monitor, its officers, directors, employees and affiliates, in connection with its appointment or the performance of its duties as Monitor to the date of this Order shall be and are hereby stayed, extinguished and forever barred and the Monitor, its officers, directors, employees and affiliates, shall have no obligation or liability in respect thereof except for any liability arising out of gross negligence or wilful misconduct on the part of the Monitor
34. The Monitor respectfully requests that this Honourable Court approve the Order discharging the Monitor of its duties under the CCAA, subject to completion of the administrative matters and the filing of the Monitor's Certificate as noted above, and the termination of these CCAA Proceedings.

EXTENSION OF THE STAY OF PROCEEDINGS

35. Pursuant to the SAVO, the Stay Period, as defined in the ARIIO, will expire on November 27, 2020. The Debtors are seeking an extension of the Stay Period to the date of the Monitor's Certificate (the "**Stay Extension**").
36. The Monitor supports the Stay Extension for the following reasons:
- a) during the proposed extension of the Stay Period, the Monitor will be able to make the Post Closing Payments, remit any remaining NSC Funds to the Purchaser and effectively complete the administration of the CCAA Proceedings;
 - b) the Debtors do not anticipate any further expenses, aside from the previously funded Post Closing Payment and therefore, there will be sufficient liquidity during the requested extension of the Stay Period;
 - c) no creditor of the Debtors would be materially prejudiced by the extension of the Stay Period; and
 - d) in the Monitor's opinion, the Debtors have acted in good faith and with due diligence in these CCAA Proceedings, since the date of the Initial Order.

RECOMMENDATIONS

37. The Monitor respectfully recommends that this Honourable Court grant the approval of the following:
- a) the Monitor's actions, conduct and activities as reported in this Fifth Report and prior reports filed by the Monitor;
 - b) the fees and disbursements of the Monitor and its legal counsel for the period of time from September 1, 2020 to the filing of the Monitor's Certificate, as outlined in this Report;
 - c) the Stay Extension; and
 - d) the discharge of the Monitor and the termination of the CCAA Proceedings following the filing of the Monitor's Certificate.

All of which is respectfully submitted to this Honourable Court this 16th day of November, 2020.

**ALVAREZ & MARSAL CANADA INC.,
in its capacity as Monitor of
the NSC Companies and not in its personal or
corporate capacity**

A handwritten signature in blue ink, appearing to be 'Orest Konowalchuk', with a stylized, cursive script.

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

A handwritten signature in black ink, appearing to be 'Cassie Riglin', with a stylized, cursive script.

Cassie Riglin, CPA, CA, CIRP, LIT
Senior Vice President

APPENDIX A
SUMMARY OF THE MONITOR'S LEGAL COUNSEL'S FEES AND DISBURSEMENTS

Northern Silica Corporation - CCAA							
Summary of Monitor's Fees and Disbursements							
June 26, 2020 to October 31, 2020							
Inv. No.	Period	Fees	Disbursements	Total Fees & Disbursements	GST	Total	
Invoice #3	September 2020	\$ 60,842.50	\$ 50.00	\$ 60,892.50	\$ 3,044.63	\$ 63,937.13	
Invoice #4	October 2020	56,843.00	175.00	57,018.00	2,850.90	59,868.90	
		\$ 117,685.50	\$ 225.00	\$ 117,910.50	\$ 5,895.53	\$ 123,806.03	
TOTAL		\$ 117,685.50	\$ 225.00	\$ 117,910.50	\$ 5,895.53	\$ 123,806.03	
Invoices Previously Approved by this Court							
Inv. No.	Period	Fees	Disbursements	Total Fees & Disbursements	GST	Total	
Invoice #1	June 26, 2020 to July 24, 2020	\$ 157,870.00	\$ 350.00	\$ 158,220.00	\$ 7,911.00	\$ 166,131.00	
Invoice #2	July 25, 2020 to August 31, 2020	59,339.50	14,656.72	73,996.22	3,699.81	77,696.03	
		\$ 217,209.50	\$ 15,006.72	\$ 232,216.22	\$ 11,610.81	\$ 243,827.03	
TOTAL INVOICES		\$ 334,895.00	\$ 15,231.72	\$ 350,126.72	\$ 17,506.34	\$ 367,633.06	

Norther Silica Corporation - CCAA							
Summary of Monitor's Counsel (Torys LLP) Fees and Disbursements							
July 1, 2020 to October 31, 2020							
Inv. No.	Period	Fees	Disbursements	Total Fees & Disbursements	GST	Total	
1516181	September 2020	\$ 22,832.50	\$ -	\$ 22,832.50	\$ 1,141.63	23,974.13	
1519207	October 2020	25,220.00	-	25,220.00	1,261.00	26,481.00	
		\$ 48,052.50	\$ -	\$ 48,052.50	\$ 2,402.63	\$ 50,455.13	
TOTAL		\$ 48,052.50	\$ -	\$ 48,052.50	\$ 2,402.63	\$ 50,455.13	
Invoices Previously Approved by this Court							
Inv. No.	Period	Fees	Disbursements	Total Fees & Disbursements	GST	Total	
1511102	July 2020	\$ 81,886.50	\$ 1,756.83	\$ 83,643.33	\$ 4,151.94	87,795.27	
1513526	August 2020	9,312.50	560.00	9,872.50	488.13	10,360.63	
		\$ 91,199.00	\$ 2,316.83	\$ 93,515.83	\$ 4,640.07	\$ 98,155.90	
TOTAL INVOICES		\$ 139,251.50	\$ 2,316.83	\$ 141,568.33	\$ 7,042.70	\$ 148,611.03	