

The Manager
Company Announcements Office
Australian Securities Exchange
Level 4, 20 Bridge Street
Sydney NSW 2000

13 March 2017

Electronic lodgement

Dear Sir/Madam

Northern Silica Corporation – off market takeover bid for the entire issued share capital of Heemskirk Consolidated Limited (“Takeover”)

In accordance with section 633(1) item 5 of the Corporations Act, please find attached a copy of Northern Silica Corporation’s bidder’s statement (“**Bidder’s Statement**”) in relation to the Takeover.

The Bidder’s Statement was lodged with the Australian Securities & Investments Commission and Heemskirk Consolidated Limited earlier today.

Yours faithfully



David Eliakim
Partner
T +61 2 9296 2061
M +61 401 156 339
david.eliakim@au.kwm.com



NORTHERN SILICA

BIDDER'S STATEMENT

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to how to act, you should consult your professional adviser as soon as possible.

**Recommended Offer by:
Northern Silica Corporation**

**to purchase all of your shares in:
Heemskirk Consolidated Limited
ACN 106 720 138**

For each Heemskirk Share you will receive either \$0.075 cash or 1 Bidder Share (at your election)

The Heemskirk Directors UNANIMOUSLY recommend you ACCEPT the Cash Consideration component of the Offer in the absence of a Superior Proposal, and subject to the independent expert concluding that the Offer is fair and reasonable.

The Offer is dated [•] March 2017 and will close at 7pm (Sydney time) on [•] April 2017, unless extended. This Bidder's Statement was lodged with ASIC on 13 March 2017.

Legal Adviser: KING & WOOD
MALLESONS

IMPORTANT INFORMATION

The Offer described within this Bidder's Statement is given by Northern Silica Corporation (corporate access number 2020084675) (the "Bidder") (owned by Taurus BV, T2 LP and the T2 Trust) to Heemskirk Consolidated Limited (ACN 106 720 138) ("Heemskirk") under Part 6.5 of the Corporations Act and sets out certain disclosures required by the Corporations Act together with the terms of the Offer to acquire your Heemskirk Shares.

THE BIDDER'S STATEMENT

YOU SHOULD READ THIS BIDDER'S STATEMENT IN ITS ENTIRETY.

This Bidder's Statement is dated 13 March 2017 and includes the Offer dated [•] March 2017 on the terms set out in Appendices 1 and 2 of this Bidder's Statement.

Australian Securities and Investments Commission

A copy of this Bidder's Statement was lodged with ASIC on 13 March 2017. Neither ASIC nor any of its officers takes any responsibility for the content of this Bidder's Statement.

Defined terms

Capitalised terms used in this Bidder's Statement are defined in the Glossary in section 11 along with certain rules of interpretation which apply to this Bidder's Statement. Unless the contrary intention appears, the context requires otherwise or words are defined in section 11, words and phrases in this Bidder's Statement have the same meaning and interpretation as in the Corporations Act.

Unless otherwise indicated, all references to sections are references to sections of this Bidder's Statement.

Investment advice

The information in this Bidder's Statement is general information only, and does not take into account your individual investment objectives, financial situation or needs. You should consider whether the information in this Bidder's Statement is appropriate for you in light of your objectives, financial situation and needs. Accordingly, before making a decision whether or not to accept the Offer and whether the Bidder Shares are an appropriate investment for you, please consult your professional adviser.

Notice to foreign Heemskirk Shareholders

The Bidder Shares will only be issued under the Offer to Heemskirk Shareholders with registered addresses in Australia, its external territories or New Zealand, unless the Bidder determines to the contrary.

Subject to applicable law and any relevant ASIC relief, all Heemskirk Shareholders are entitled to participate in the Offer on the same terms outlined within this Bidder's Statement, and all materials shall be distributed to all Heemskirk Shareholders at the same time, regardless of jurisdiction.

Ineligible Foreign Shareholders will not be entitled to the Bidder Shares as part of the Offer Consideration. Subject to any relevant ASIC relief, instead, if an Ineligible Foreign Shareholder elects to receive the Share Consideration, the Bidder Shares to which they would otherwise be entitled will be issued to the Nominee. Those Bidder Shares will be offered for sale and the net proceeds provided to the Ineligible Foreign Shareholders in Australian dollars in accordance with paragraph 6.3 of Appendix 1 and subject to the restrictions set out in paragraph 6.3 of Appendix 1.

The distribution of this Bidder's Statement outside Australia or New Zealand may, in some countries, be restricted by law or regulation. Accordingly, persons who come into possession of this Bidder's Statement should inform themselves of, and observe, those restrictions.

The Offer is being proposed and will be conducted in accordance with the laws in force in Australia and with the Listing Rules. The disclosure requirements in relation to the Offer in Australia will differ from those applying in other jurisdictions (including the United States). The financial statements included in this Bidder's Statement have been prepared in accordance with generally accepted accounting principles in Australia that will differ from those in other jurisdictions (including the United States).

This Bidder's Statement is neither an offer to sell to nor a solicitation of an offer to buy securities (as such terms are defined under the US Securities Act) from Ineligible Foreign Shareholders. The Bidder Shares to be issued pursuant to the Offer have not been, and will not be, registered under the US Securities Act or the securities laws of any United States state or other jurisdiction and therefore may not be offered or sold to persons resident in or located in the United States without registration or an applicable exemption from the registration requirements of the US Securities Act.

IMPORTANT INFORMATION CONTINUED

Each Heemskirk Shareholder in the United States will be an Ineligible Foreign Shareholder and will not be entitled to Bidder Shares as part of the Offer Consideration unless such person (i) is an “accredited investor” that satisfies one or more of the criteria set forth in Rule 501(a) of Regulation D promulgated under the US Securities Act (each, a “**U.S. Accredited Investor**”) and certifies to the Bidder that it is a U.S. Accredited Investor; or (ii) is a professional fiduciary organized, incorporated or (if an individual) resident in the United States and is holding Heemskirk Shares on the Register Date pursuant to one or more discretionary accounts or similar accounts (other than an estate or trust) solely for the account or benefit of one or more beneficial owners, none of which was or is a “U.S. person” as defined in Regulation S under the US Securities Act (each, a “**U.S. Qualified Fiduciary**”) and certifies to the Bidder that it is a U.S. Qualified Fiduciary. Any Bidder Shares issued to U.S. Accredited Investors will be “restricted securities” within the meaning of Rule 144 under the US Securities Act and may not be offered, sold, pledged or otherwise transferred, directly or indirectly, except pursuant to exemptions from the registration requirements of the US Securities Act and any applicable securities laws of any state of the United States or in a transaction outside of the United States in accordance with Regulation S under the US Securities Act.

Holders of Bidder Shares will only be able to transfer those shares in the limited circumstances described in the Unanimous Shareholders Agreement and then, only to those persons that agree to become a party to such agreement. Further, the Bidder’s Articles contain customary private company restrictions that prohibit the transfer of Bidder Shares without the approval of the Bidder Directors or holders of more than 50% of the Bidder Shares.

The Bidder Shares have not been approved or disapproved by the US Securities Exchange and Commission, any United States state securities commission or any other United States regulatory authority, nor have any of the foregoing authorities passed comment upon or endorsed the merits of the Offer or the accuracy, adequacy or completeness of this Bidder’s Statement. Any representation to the contrary is a criminal offence.

In making the Offer available to persons in New Zealand, the Bidder is relying on an exemption contained in the New Zealand Securities Act (Overseas Companies) Exemption Notice 2013. This Bidder’s Statement is not a prospectus or an investment statement under New Zealand law, and may not contain all the information that a prospectus or investment statement under New Zealand law is required to contain.

Disclosure regarding forward looking statements

This Bidder’s Statement contains certain forward looking statements which have not been based solely on historical facts, but are rather based on the Bidder’s and the Bidder Group’s current expectations about future events and results. These forward looking statements are, however, subject to various inherent risks, uncertainties and assumptions, in that they may be affected by a variety of known and unknown risks, variables and other factors, which are beyond the control of the Bidder and which could cause actual events or results to differ materially from the expectations described in such forward looking statements. These factors include, amongst other things, the risks identified in section 9, as well as other matters not yet known to the Bidder or not currently considered material by the Bidder.

Actual events, results, values, performances or achievements may differ materially from the events, results, values, performances or achievements or results expressed or implied in any forward looking statement and deviations are both normal and to be expected. Except to the extent required by law, none of the Bidder, the Bidder Directors, nor any member of the Bidder Group or their respective officers or employees, any persons named in this Bidder’s Statement with their consent or any person involved in the preparation of this Bidder’s Statement, make any representation, warranty, assurance or guarantee (express or implied) as to the accuracy or likelihood of fulfilment of any forward looking statement, or any events, results, values, performances or achievements expressed or implied in any forward looking statement. Accordingly, you are cautioned not to place undue reliance on any forward looking statements.

The forward looking statements in this Bidder’s Statement reflect views held only as at the date of this Bidder’s Statement.

IMPORTANT INFORMATION CONTINUED

No guarantee of capital or investment returns

Except as required by law, and only to the extent required, no person named in this Bidder's Statement, nor any other person, warrants or guarantees the performance of the Bidder with or without the acquisition of Heemskirk or the repayment of capital or any return on investment made pursuant to this Bidder's Statement.

Acceptance of the Offer is not a deposit with or other liability of the Bidder or any other related party or associate of the Bidder. The Share Consideration to be received under the Offer is subject to investment risk including loss of income or principal invested. Neither the Bidder nor any of its related parties or associates, gives any guarantee or assurance as to the performance of the Bidder Shares, any particular rate of return on the Bidder Shares or the repayment of capital or principal.

Information on Heemskirk

The information on Heemskirk, the Heemskirk Shares, the Heemskirk Group's business and assets and the Combined Group (to the extent that it incorporates or reflects information on Heemskirk) contained in this Bidder's Statement has been prepared based on a review of publicly available information and should not be considered comprehensive. Information in this Bidder's Statement concerning Heemskirk, Heemskirk Shares and the Heemskirk Group's business and assets has not been independently verified by the Bidder. Subject to the Corporations Act, none of the Bidder, the Board, nor any member of the Bidder Group or their respective officers, employees or advisors make any representation or warranty (express or implied) as to the accuracy or completeness of this information.

Further information relating to Heemskirk Group's business may be included in the Target's Statement which Heemskirk must provide to Heemskirk Shareholders in response to this Bidder's Statement.

Privacy

The Bidder has collected your information from the register of Heemskirk Shareholders for the purposes of making this Offer and, if accepted, administering your holding of Heemskirk Shares. The type of information the Bidder has collected about you includes your name, address, contact details and information on your shareholding in Heemskirk. Without this information, the Bidder will be hindered in its ability to carry out the Offer.

The Corporations Act requires the names and addresses of Heemskirk Shareholders to be held in a public register. Your information may be disclosed on a confidential basis to the Bidder's related bodies corporate, and holders of securities in the Bidder or its related bodies corporate and external service providers (for example, Boardroom Pty Limited as provider of print and mail services), and may be required to be disclosed to regulators, such as ASIC. If you would like details of information held about you by the Bidder, please contact Bidder directly at the address set out in the corporate directory.

Websites

The Bidder maintains a website at www.northernsilica.com.

Heemskirk's website is at www.heemskirk.com.

Information contained on, or otherwise accessible through, these internet sites is not a part of this Bidder's Statement. All references in this Bidder's Statement to these internet sites are inactive textual references to these sites and are for your information only.

Updated information

Information contained in this Bidder's Statement is subject to change from time to time. This information may be updated and made available to you on the Bidder's website at www.northernsilica.com. Alternatively, please refer to any ASX announcements of Heemskirk regarding the Offer.

Enquiries

If you are in any doubt as to how to deal with this Bidder's Statement, you should consult your professional adviser.

IMPORTANT DATES

Announcement of initial approach	22 December 2016
Announcement of the Offer	13 February 2017
Date of this Bidder's Statement	13 March 2017
Date of the Offer	[•] March 2017
Closing Date (unless extended or withdrawn) 7pm (Sydney time)	[•] April 2017

Note: the Closing Date for the Offer may change as permitted by the Corporations Act.

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HOW TO ACCEPT THE OFFER

The Offer may only be accepted for all of your Heemskirk Shares. You may accept the Offer during the Offer Period in the manner specified below. How you accept this Offer depends on whether your Heemskirk Shares are in a CHESS Holding or an Issuer Sponsored Holding. Your personalised Acceptance Form outlines which type of holding you have.

- **If you hold your Heemskirk Shares in an Issuer Sponsored Holding** (your SRN starts with an "I"), to accept the Offer you must complete, sign and return the enclosed personalised Acceptance Form in accordance with the instructions on it and lodge it by returning it (together with all other documents required by the instructions on your personalised Acceptance Form) in the reply paid envelope provided or to the address individuated on the form (and set out below) so that your acceptance is received before the end of the Offer Period.
- **If you hold your Heemskirk Shares in a CHESS Holding** (your HIN starts with an "X"), to accept the Offer you must comply with the ASX Settlement Operating Rules by doing one of the following:
 - (a) instruct your Controlling Participant (usually your broker) to initiate acceptance of the Offer on your behalf in accordance with Rule 14.14 of the ASX Settlement Operating Rules in sufficient time for the Offer to be accepted before the end of the Offer Period. Acceptances must be received by 7pm (Sydney time) on the last day of the Offer Period, unless the Offer Period is extended; or
 - (b) complete and sign the accompanying personalised Acceptance Form and send it (together with all other documents required by the instructions on the form) directly to your Controlling Participant (usually your broker) in sufficient time for the Offer to be accepted before the end of the Offer Period with instructions to initiate acceptance of the Offer on your behalf in accordance with Rule 14.14 of the ASX Settlement Operating Rules before the end of the Offer Period. Acceptances must be received by 7pm (Sydney time) on the last day of the Offer Period, unless the Offer Period is extended; or
 - (c) complete, sign and return your personalised Acceptance Form in accordance with the instructions on it and lodge it by returning it to the address indicated on the form (and set out below) so that your acceptance is received before 7pm (Sydney time) on the second last day of the Offer Period, unless the Offer is extended. This will authorise the Bidder to instruct your broker or other Controlling Participant to initiate acceptance of the Offer on your behalf.
- **If you are a Broker or Participant**, to accept the Offer you must initiate acceptance in accordance with the requirements of the ASX Settlement Operating Rules before the end of the Offer Period. Acceptances must be received by 7pm (Sydney time) on the last day of the Offer Period, unless the Offer Period is extended.
- **If some of your Heemskirk Shares are held in an Issuer Sponsored Holding and some in a CHESS Holding**, if you wish to accept the Offer, you will need to accept the Offer separately for each holding. Paragraphs 5.3(a) and 5.3(d) of the Offer Terms in Appendix 1 contains further information on how to accept the Offer.

The postal and delivery addresses for your completed personalised Acceptance Form are as follows.

BY POST

Heemskirk Consolidated Limited Offer
C/O Boardroom Pty Limited
GPO Box 3993
Sydney NSW 2001

BY HAND

Heemskirk Consolidated Limited Offer
Boardroom Pty Limited
Level 12
225 George Street
Sydney NSW 2000

A reply paid envelope (for use by Heemskirk Shareholders within Australia) is enclosed for your convenience.

The transmission of your personalised Acceptance Form and other documents is at your own risk.

For full details see paragraph 5 of the Offer Terms in Appendix 1.

NORTHERN SILICA LETTER

13 March 2017

Dear Heemskirk Shareholder,

Offer to acquire all of your Shares in Heemskirk

On behalf of the Bidder, we are pleased to make this Offer to acquire all of your shares in Heemskirk.

The Offer delivers compelling value and certainty as well as providing the option for Heemskirk Shareholders to participate in the ongoing benefits associated with an investment in the Bidder.

Importantly, the Offer provides Heemskirk Shareholders with the option of a liquidity event prior to further equity dilution with material additional capital required to fulfil Moberly Stage 1 development.¹

Summary of the Offer

The Offer provides Heemskirk Shareholders the option of electing one of the following forms of consideration in return for each fully paid Heemskirk Share you hold:

- \$0.075 cash (adjusted in accordance with the Offer Terms) (“**Cash Consideration**”); or
- 1 Bidder Share (“**Share Consideration**”).²

There are no caps or minimum election conditions attached to either form of consideration. We are offering a choice of consideration in recognition of the fact that all Heemskirk Shareholders have different investment objectives and this Offer is aimed at providing Heemskirk Shareholders with a choice between an immediate liquidity event or continuing to remain an equity participant in the Bidder.

The Offer delivers compelling value and an attractive premium to Heemskirk Shareholders

The Cash Consideration constitutes a significant premium for Heemskirk Shareholders, as follows:

- 50.0% premium to Heemskirk’s share price as at close of business on 21 December 2016;³
- 18.0% premium to the VWAP of Heemskirk Shares over the 30 trading days prior to 21 December 2016;⁴ and
- 150.0% premium to the issue price under the most recent rights issue by Heemskirk.⁵

Heemskirk Shareholders should note that the Cash Consideration represents a 6.25% discount to the share price of the Heemskirk Shares as at close of trading on 10 March 2017.

Rationale for the Proposal

Owing to construction delays and ongoing process plant design issues, Heemskirk is unable to complete Moberly Stage 1 development without a further capital injection. Since July 2015, Heemskirk has undertaken two significant equity raisings. Since commencing Moberly Stage 1 construction in October 2014, Heemskirk has raised A\$47.9 million of external capital either from financing or equity raises.⁶ This is on top of existing

1. Heemskirk Shareholders should note that if any capital raising proceeds by way of rights issue, the equity dilution would only apply to those shareholders who do not take up their rights. Historically, a significant proportion of Heemskirk Shareholders have not taken up their rights under rights issues.

2. Ineligible Foreign Shareholders will not be entitled to receive the Bidder Shares. Instead, subject to receipt of any relevant ASIC relief, if an Ineligible Foreign Shareholder elects to receive the Share Consideration, the Bidder Shares to which they would otherwise be entitled will be sold by the Nominee and the net proceeds paid to them. See paragraph 6.3 of Appendix 1 for further information.

3. 21st December 2016 being the last ASX trading day prior to the announcement of the Offer

4. 30 trading days from 17th October 2016 to 21st December 2016

5. Heemskirk’s \$9,925,632 rights issue at A\$0.03 per share that closed on 15th January 2016

6. Comprising US\$25m Project Finance Facility (converted in A\$ terms at A\$/US\$ exchange rate of 0.76 as at 25 January 2017), July 2015 A\$5m equity raise and January 2016 A\$10m equity raise

NORTHERN SILICA LETTER CONTINUED

liquidity of A\$14.7 million reported at time of construction commencement.⁷ The Bidder believes that it would be to the detriment of Heemskirk Shareholders to be faced with another material equity raising and that Heemskirk Shareholders should be provided with an opportunity to crystallise the value of their shareholding prior to the negative impact of further dilution.⁸ Conversely, the Bidder welcomes the ongoing involvement of any Heemskirk Shareholders who wish to remain an equity participant in the Bidder. The Bidder notes that the number of Heemskirk Shares in issue has already increased by greater than 3.6 times since construction of the Moberly Project commenced in October 2014. This has resulted in significant value destruction for Heemskirk Shareholders.

The Offer will also allow a more suitable corporate and governance structure to be implemented for the Moberly Project. Given the Canadian domestic nature of the Moberly Project, the Bidder believes that all corporate functions should be run from a single corporate centre in Calgary with management oversight by a predominantly Canadian board of directors with dedicated experience in minerals processing engineering and mining project development. Accordingly, upon completion of the transaction, the Bidder intends to undertake an orderly transfer of corporate functions from Melbourne to Calgary. The Bidder also intends to enhance management capabilities at the executive level and has commenced a recruitment process including the appointment of an experienced minerals processing engineer. Further details on the Bidder's intentions are provided in section 5 below.

Next Steps

We encourage you to read the Bidder's Statement for more details about the Offer, its terms and importantly the benefits you will receive from accepting the Offer.

We look forward to your acceptance of the Offer and for those Heemskirk Shareholders who elect the Share Consideration, welcoming you as a Bidder shareholder.



Martin Boland
on behalf of Northern Silica Corporation

7. Heemskirk ASX announcement: "Heemskirk to break ground at Moberly Frac Sand Project", 14 October 2014

8. Heemskirk Shareholders should note that if any capital raising proceeds by way of rights issue, the equity dilution would only apply to those shareholders who do not take up their rights. Historically, a significant proportion of Heemskirk Shareholders have not taken up their rights under rights issues.

OVERVIEW OF THE OFFER

WHAT YOU WILL RECEIVE

For each fully paid Heemskirk Share, you will be entitled to elect to receive either:

- \$0.075 cash¹ (the “Cash Consideration”); or
- 1 Bidder Share² (the “Share Consideration”).

The Cash Consideration constitutes a significant premium for Heemskirk Shareholders, as follows:

- 50.0% premium to Heemskirk’s share price as at close of business on 21 December 2016;
- 18.0% premium to the volume weighted average price of Heemskirk shares over the 30 trading days prior to 21 December 2016; and
- 150.0% premium to the issue price under the most recent rights issue by Heemskirk.

Heemskirk Shareholders should note that the Cash Consideration represents a 6.25% discount to the share price of the Heemskirk Shares as at close of trading on 10 March 2017.

CGT Rollover Relief

Heemskirk Shareholders that elect to receive the Share Consideration and make a capital gain from the disposal of their Heemskirk Shares, should be able to choose to obtain CGT roll-over relief under Subdivision 124-M of the *Income Tax Assessment Act 1997* in respect of the Share Consideration.

We note the availability of CGT roll-over relief will be the subject of an ATO Class Ruling request being made on behalf of Heemskirk Shareholders by Ernst & Young, which is still in the process of finalisation.

The ATO Class Ruling request has been reviewed by RSM, who are the tax advisor to the Bidder. Based on RSM’s understanding of the requirements of Subdivision 124-M and of Heemskirk, RSM have advised that they expect the ATO to confirm the availability of such a roll-over. Should the ATO adopt a different view in relation to the availability of scrip for scrip roll-over relief, the ATO may disallow some or all of the roll-over relief for Heemskirk Shareholders.

1. If you continue to hold Heemskirk Shares on the record date for any Heemskirk dividend, you will be entitled to receive that dividend. However, the value of the Cash Consideration will be reduced by the amount of any Heemskirk dividend which arises or accrues after the Announcement Date.

2. Ineligible Foreign Shareholders will not be entitled to receive the Bidder Shares. Instead, subject to receipt of any relevant ASIC relief, if an Ineligible Foreign Shareholder elects to receive the Share Consideration, the Bidder Shares to which they would otherwise be entitled will be sold by the Nominee and the net proceeds paid to them. See paragraph 6.3 of Appendix 1 for further information.

REASONS TO ACCEPT THE OFFER

- ✓ The Heemskirk Directors unanimously recommend you accept the Offer in return for the Cash Consideration in the absence of a superior proposal and subject to the independent expert concluding that the Offer is fair and reasonable
- ✓ The Cash Consideration provides a substantial premium to historic trading levels for your Heemskirk Shares
- ✓ The Cash Consideration provides a liquidity event without further equity dilution
- ✓ This Offer removes significant risks that could affect the value of your Heemskirk Shares if you elect the Cash Consideration
- ✓ You will receive certain value for your Heemskirk Shares if you elect the Cash Consideration
- ✓ If you accept the Share Consideration, you will retain exposure to the Heemskirk assets
- ✓ CGT Rollover Relief is expected to be available for those Heemskirk Shareholders who accept the Share Consideration
- ✓ Heemskirk Shareholders will not incur stamp duty or brokerage charges
- ✓ If the Offer is not successful, and no alternative proposal emerges, the Heemskirk Share price may fall
- ✓ The Offer is the only offer available for Heemskirk Shares
- ✓ The Offer ensures that Heemskirk Shareholders can sell their Heemskirk Shares

REASONS TO ACCEPT THE OFFER CONTINUED

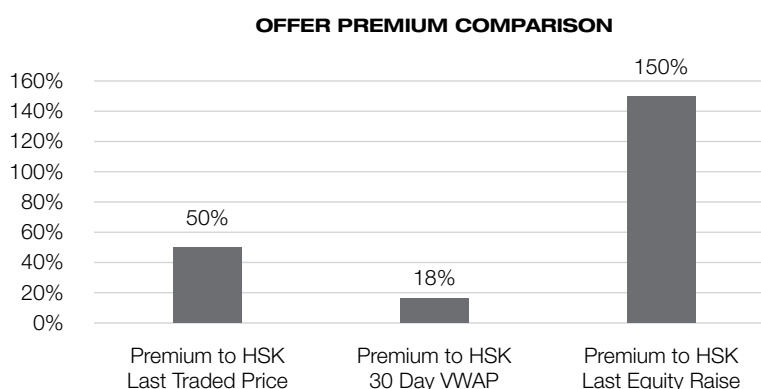
1 THE HEEMSKIRK DIRECTORS UNANIMOUSLY RECOMMEND YOU ACCEPT THE OFFER IN RETURN FOR THE CASH CONSIDERATION IN THE ABSENCE OF A SUPERIOR PROPOSAL AND SUBJECT TO THE INDEPENDENT EXPERT CONCLUDING THAT THE OFFER IS FAIR AND REASONABLE

The Heemskirk Directors UNANIMOUSLY RECOMMEND YOU ACCEPT the Cash Consideration component of the Offer in the absence of a superior proposal and subject to receiving an opinion by an independent expert that the Offer is fair and reasonable.

2 THE CASH CONSIDERATION PROVIDES A SUBSTANTIAL PREMIUM TO HISTORIC TRADING LEVELS FOR YOUR HEEMSKIRK SHARES

The Cash Consideration constitutes a significant premium for Heemskirk Shareholders, as follows:

- 50.0% premium to Heemskirk's share price as at close of business on 21 December 2016;
- 18.0% premium to the volume weighted average price of Heemskirk shares over the 30 trading days prior to 21 December 2016;
- 150.0% premium to the issue price under the most recent rights issue by Heemskirk.



Heemskirk Shareholders should note that the Cash Consideration represents a 6.25% discount to the share price of the Heemskirk Shares as at close of trading on 10 March 2017.

Shareholders should also note that Heemskirk has regularly presented to the market a view that the Moberly Project has an ungeared net present value ("**NPV**") of C\$78 million for Moberly Stage 1 (or 14 cents per share). Most recently Heemskirk presented this at the 2016 AGM on 25th February 2016:

REASONS TO ACCEPT THE OFFER CONTINUED

Project Metrics - Key Assumptions: Stage 1 Development

- Payback Period Stage 1: 2.9 years
- Project ungeared NPV is C\$78 million for Stage 1* and AUD 14 cps
- Estimated time to completion of construction - 14 months
- Customer demand remains
- API specification frac sand product
- Defined in situ JORC Reserve is more than sufficient to satisfy current 20 year mine plan
- Appropriate permits in place
- The Project has an estimated terminal value of up to \$360 million^ assuming Stage 1 construction only

*Using a Real Discount Rate of 7.5% (10.6% Nominal). The discount rate has been recently reviewed with the real WACC calculated at 6.37% and hence the chosen discount rate of 7.5% is regarded as being conservative. The Project model was independently audited by EY with no material issue identified in model structure or inputs.

^ Depending on valuation method used

8

The Bidder considers that the ungeared NPV of C\$78 million (or 14 cents per share) materially overstates the per security value of Moberly Stage 1 for the following reasons:

- it does not take into account the corporate costs that will be incurred by Heemskirk during the life of the project; and
- as the NPV is on an ungeared basis, it does not take into account the face value of debt.

On an indicative basis, the per share value of Moberly Stage 1 would be 4 cents per Heemskirk Share taking into account the above two issues and assuming:

- the same discount rate as Heemskirk applies to its ungeared NPV;
- that all financing facilities are fully drawn down at the completion of the project (US\$25 million);
- that Heemskirk's corporate costs are A\$3.3 million per annum (on a pre-tax basis) which is consistent with costs for the financial year ended 2016;
- a corporate tax rate of 30% applies to Heemskirk; and
- a C\$/A\$ exchange rate of 0.9806 and a A\$/US\$ exchange rate of 0.7656 (being the exchange rate as at 1st March 2017).¹

It should be noted that the above indicative figure does not make any adjustment for further equity dilution.² As discussed below Heemskirk requires material additional equity to fulfil Moberly Stage 1 development which will further erode equity value per share. Furthermore, the value is indicative only and is not a valuation. The value of Moberly Stage 1 may be higher or lower.

1. Reserve Bank of Australia: <http://www.rba.gov.au/statistics/frequency/exchange-rates.html>

2. Heemskirk Shareholders should note that if any capital raising proceeds by way of rights issue, the equity dilution would only apply to those shareholders who do not take up their rights. Historically, a significant proportion of Heemskirk Shareholders have not taken up their rights under rights issues.

REASONS TO ACCEPT THE OFFER CONTINUED

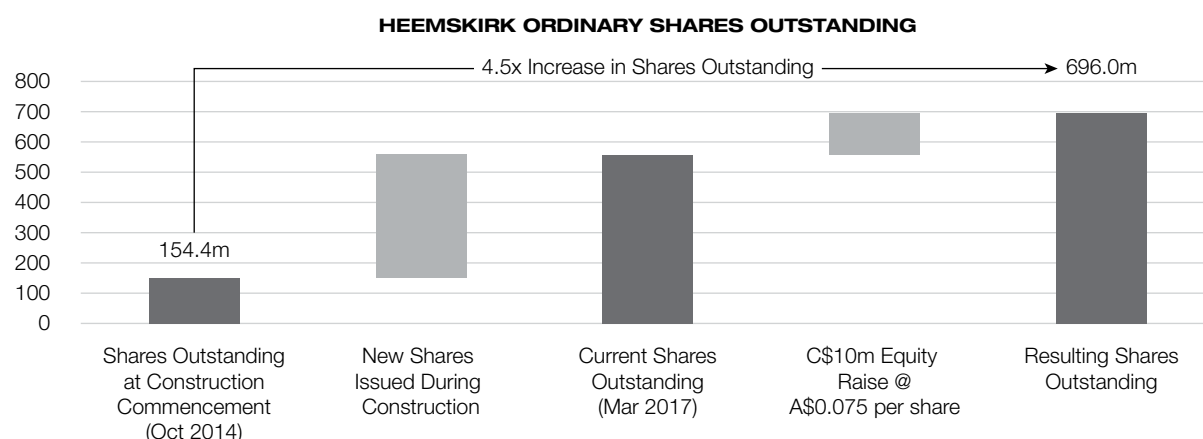
3 THE CASH CONSIDERATION PROVIDES A LIQUIDITY EVENT WITHOUT FURTHER EQUITY DILUTION³

Heemskirk requires material additional capital in order to achieve delivery of Moberly Stage 1. Since July 2015, Heemskirk has undertaken two significant equity raisings. This has resulted in material dilution to Heemskirk Shareholders who did not participate in those share issues and an erosion of the Moberly Project value per share. Having regard to work outstanding to complete Moberly Stage 1, the Bidder estimates that approximately C\$10 million of additional funding is required to achieve Moberly Stage 1 delivery and maintain appropriate liquidity.⁴

The Offer provides Heemskirk Shareholders with the option of an immediate liquidity event without the negative impact of further equity dilution. The Bidder believes that Heemskirk Shareholders should be provided with this option given the significant value erosion that has already occurred since Heemskirk commenced Moberly Project development.

It is noted that in October 2014, when Heemskirk announced the commencement of Moberly Stage 1 construction, Heemskirk reported a “cash and liquids” balance of A\$17.4 million, or a net liquidity position of A\$14.7 million when adjusted for outstanding debt.⁵ At this point in time Heemskirk advised Heemskirk Shareholders of Moberly Stage 1 capital costs of C\$26.0 million, including a contingency allowance. Since then Heemskirk has raised over A\$47.7 million in combined debt and equity yet remains unable to complete Moberly Stage 1 development without additional funding.⁶ In doing so, the number of issued Heemskirk Shares has increased from 154.4 million⁷ at the time of construction commencement in October 2014 to 562.6m currently.

As depicted below, if Heemskirk were to undertake a further C\$10 million equity raising at the price of the Cash Consideration, this would result in the issuance of an additional 133.3 million ordinary shares. In total this would mean that Heemskirk’s issued ordinary shares would increase by greater than 4.5 times since commencement of Moberly Stage 1 construction in October 2014:



3. Heemskirk Shareholders should note that if any capital raising proceeds by way of rights issue, the equity dilution would only apply to those shareholders who do not take up their rights. Historically, a significant proportion of Heemskirk Shareholders have not taken up their rights under rights issues.

4. Please refer to section 5.2 for further information on the assumptions used by the Bidder to achieve this figure.

5. Heemskirk ASX announcement: “Heemskirk to break ground at Moberly Frac Sand Project”, 14 October 2014

6. Comprising US\$25m secured facility (converted in A\$ terms at A\$/US\$ exchange rate of 0.7656 as at 1 March 2017), July 2015 A\$5m equity raise and January 2016 A\$10m equity raise

7. 154,438,439 ordinary shares outstanding as at 30 September 2014. Heemskirk 2014 Annual Report

REASONS TO ACCEPT THE OFFER CONTINUED

4 THIS OFFER REMOVES SIGNIFICANT RISKS THAT COULD AFFECT THE VALUE OF YOUR HEEMSKIRK SHARES IF YOU ACCEPT THE CASH CONSIDERATION

Successful and timely development of the Moberly Project is subject to a number of significant risks. If you accept the Offer in return for the Cash Consideration, and if the conditions to the Offer are satisfied or waived, you will receive the Cash Consideration and you will no longer be exposed to the risks inherent in Heemskirk that could affect the trading price of Heemskirk Shares.

Heemskirk's risks include:

- Moberly Stage 1 development has been subject to construction delays and further delays could occur given the nature of the Moberly Project;
- the Moberly Stage 1 process plant has experienced a number of design issues which could impact commissioning performance;
- the ability of the Moberly Stage 1 plant to achieve forecast equipment performance and operating parameters;
- Heemskirk has not yet secured firm off-take commitments for Moberly Stage 1 production and it may not be able to achieve forecast sales tonnages and prices;
- the potential for additional working capital requirements whilst firm off-take commitments are being sought;
- the ability for Moberly Stage 1 to consistently produce frac sand at targeted product specifications required for customer acceptance;
- the ability of planned logistics arrangements to transport production from Moberly to end customers;
- the ability for Moberly Stage 1 to achieve forecast operating costs and profit margins;
- reliance on selling frac sand to a single end market;
- the risk of reduced drilling activity in the Moberly's target oil and gas markets which have recently experienced a prolonged downturn with significant volatility; and
- competition risk from other Canadian frac sand suppliers.

See further information contained in section 9 for a description of the risks.

5 YOU WILL RECEIVE CERTAIN VALUE FOR YOUR HEEMSKIRK SHARES IF YOU ACCEPT THE CASH CONSIDERATION

If you accept the Offer in return for the Cash Consideration and the Conditions are either satisfied or waived, you will receive the Cash Consideration which you have elected in accordance with the terms set out in Appendix 1.

If you do not accept the Offer, and the outstanding Heemskirk Shares are subject to compulsory acquisition by the Bidder, you may face a delay in receiving the Offer Consideration which you have elected for your Heemskirk Shares compared with Heemskirk Shareholders who accepted the Offer during the Offer Period.

REASONS TO ACCEPT THE OFFER CONTINUED

6 IF YOU ACCEPT THE SHARE CONSIDERATION, YOU WILL RETAIN EXPOSURE TO THE HEEMSKIRK ASSETS

Notwithstanding the risks noted above, the Bidder believes that Moberly offers the potential for a long-life, profitable business with exposure to favourable market dynamics. The Bidder is focussed on ensuring a safe and successful delivery of Moberly Stage 1 including construction, commissioning, logistics plans and formal off-take arrangement. Once delivery occurs, the Bidder will review Moberly's expansion potential with a focus on creating longer-term value upside for Bidder shareholders.

The Bidder considers that certain design issues have hampered Moberly Stage 1 development. To ensure that they are not repeated, the Bidder intends to undertake a methodical approach to evaluating Moberly's expansion potential. This will be undertaken by an experienced team with requisite minerals processing engineering experience and will take into account a number of interrelated factors:

- performance of the Moberly Stage 1 plant and its ability to achieve nameplate throughput and product quality specifications;
- customer preferences for product type, tonnages and logistics arrangements, noting that no firm off-take agreements are currently in-place;
- constraints on the haulage and stockpiling of Run Of Mine ("ROM") silica;
- additional permitting requirements;
- ability of logistics arrangements to support higher tonnages; and
- availability of funding.

7 CGT ROLLOVER RELIEF IS EXPECTED TO BE AVAILABLE FOR THOSE HEEMSKIRK SHAREHOLDERS WHO ACCEPT THE SHARE CONSIDERATION

Heemskirk is in the process of applying for an ATO class ruling in relation to the availability of CGT roll-over relief for Heemskirk Shareholders.

For the reasons described in section 8, the Bidder expects that the ATO will confirm the availability of such a roll-over. The outcome of that ruling will apply to Heemskirk Shareholders who elect to receive the Share Consideration.

8 HEEMSKIRK SHAREHOLDERS WILL NOT INCUR STAMP DUTY OR BROKERAGE CHARGES

Heemskirk Shareholders who accept the Offer will not incur stamp duty or brokerage charges (irrespective of whether the Cash Consideration or the Share Consideration is elected).

Heemskirk Shareholders should refer to section 8 of this Bidder's Statement which provides a brief guide to the Australian and Canadian taxation implications for certain Heemskirk Shareholders who accept the Offer in return for the Cash Consideration or the Share Consideration. The information applies only to individuals who hold their Heemskirk Shares on capital account and who are Australian residents. Note that the information is general only and does not take into account your personal circumstances. In addition, the Bidder recommends you seek independent professional advice in relation to your own particular circumstances, situation or needs.

9 IF THE OFFER IS NOT SUCCESSFUL, AND NO ALTERNATIVE PROPOSAL EMERGES, THE HEEMSKIRK SHARE PRICE MAY FALL

If the Offer is not successful, the price of your Heemskirk Shares may fall in the absence of another offer. The prospect of another offer emerging could be regarded as low given the Bidder Group has voting power in 32.78% of the Heemskirk Shares.⁸

10 THE OFFER IS THE ONLY OFFER AVAILABLE FOR HEEMSKIRK SHARES

The Offer is the only offer available for your Heemskirk Shares as at the date of this Bidder's Statement. The Bidder is not aware of any other party intending to make an offer for Heemskirk Shares which is superior to the Offer.

11 THE OFFER ENSURES THAT HEEMSKIRK SHAREHOLDERS CAN SELL THEIR HEEMSKIRK SHARES

Trading in the Heemskirk Shares is relatively illiquid. The Offer allows Heemskirk Shareholders to sell all of their Heemskirk Shares for the Offer Consideration.

8. This figure includes voting power held by, or on behalf of, another fund who is managed by the same entity which manages the T2 Fund.

FREQUENTLY ASKED QUESTIONS

You may have questions in relation to the Offer. The following set of questions and answers is intended to assist in your understanding of the Offer. They are qualified by, and should be read in conjunction with, the detailed information contained in this Bidder's Statement. You should read the Bidder's Statement in full before deciding whether or not to accept the Offer.

#	Question	Answer	Section
1	What is the Offer?	<p>The Bidder is offering to buy all of your Heemskirk Shares by way of an off-market takeover bid.</p> <p>If you accept the Offer and are not an Ineligible Foreign Shareholder, and the Offer is declared or becomes unconditional, you will be entitled to receive the Offer Consideration which you elect being either the Cash Consideration or the Share Consideration for each fully paid Heemskirk Share you hold on the Register Date, as follows:</p> <ul style="list-style-type: none">• \$0.075 cash; or• 1 Bidder Share.	Refer to section 1 and Appendix 1 for further details.
2	Who is making the Offer?	<p>Northern Silica Corporation is the Bidder and is a recently incorporated Canadian private corporation existing under the Business Corporations Act (Alberta).</p> <p>The Bidder has been incorporated for the sole purpose of holding the Heemskirk Shares and issuing the Share Consideration to Heemskirk Shareholders who accept the Share Consideration. As a special purpose vehicle, the Bidder has no assets (other than its nominal share capital) or liabilities.</p> <p>The Bidder is owned 90% by Taurus BV, 9.86% by T2 LP and 0.14% by T2 Trust.</p> <p>A summary of the governance arrangements of the Bidder is set out in section 2.3 which will be of interest to Heemskirk Shareholders who are considering accepting the Offer in return for the Share Consideration.</p>	Refer to section 2 for further details.

FREQUENTLY ASKED QUESTIONS CONTINUED

#	Question	Answer	Section
3	Who is Taurus BV?	<p>Taurus BV is a private limited company incorporated in the Netherlands which is ultimately owned by the T2 Fund.</p> <p>T2 LP is a limited partnership investment fund established in the Cayman Islands. T2 Trust is a trust established in Australia.</p> <p>Taurus BV is an existing Heemskirk Shareholder.</p> <p>The T2 Fund is a closed-end investment vehicle whose strategy is to invest in emerging mining and metals companies with projects primarily in the appraisal and development stages. The general partner of T2 LP is Taurus Resources Limited GP No. 2 LLC, a Delaware limited liability company. The T2 Fund is managed by Taurus Funds, an independent, global funds management group whose clients include institutional and high net worth individuals. Taurus Funds specialises in investments in the mined commodities industry.</p>	Refer to section 2 for further details.
4	What relevant interest does the Bidder Group and its associates have in Heemskirk?	The Bidder Group holds voting power in 32.78% of Heemskirk Shares, and a relevant interest in 30.73% of Heemskirk Shares. ¹	Refer to section 4.14 for further details.
5	What will Taurus BV do with its Heemskirk Shares?	At, or shortly prior to, conclusion of the Offer Period, Taurus BV will accept the Offer in return for the Share Consideration.	

1. This figure includes voting power held by, or on behalf of, another fund who is managed by the same entity which manages the T2 Fund.

FREQUENTLY ASKED QUESTIONS CONTINUED

#	Question	Answer	Section
6	How will the Bidder fund the Cash Consideration?	<p>The Bidder has entered into a Funding Commitment Letter with Taurus BV, pursuant to which Taurus BV has undertaken to provide the Bidder with sufficient funds to allow it to satisfy its financial obligations to pay the maximum amount of Cash Consideration which may be payable under the Offer. In turn, the T2 Fund has undertaken to provide Taurus BV with sufficient funds to allow it to satisfy its obligations to the Bidder under the Funding Commitment Letter.</p> <p>Subject to the Offer becoming unconditional, the Bidder will issue Taurus BV with a number of Bidder Shares equal to the value of the Cash Consideration which Taurus BV has provided the Bidder at \$0.075 per Bidder Share. By way of example:</p> <ul style="list-style-type: none"> • If all Heemskirk Shareholders accept the Offer in return for the Share Consideration, Taurus BV (together with T2 LP and T2 Trust) would hold 30.73% of the Bidder Shares, with the remaining 67.27% being held by the other Heemskirk Shareholders in the same proportion as they current hold shares in Heemskirk; • If all Heemskirk Shareholders (other than Taurus BV) accept the Offer in return for the Cash Consideration, Taurus BV (together with T2 LP and T2 Trust) would hold 100% of the Bidder Shares (being 30.73% of Heemskirk Shares which it would have accepted in return for the Share Consideration, and 67.27% of new Bidder Shares issued by the Bidder in consideration of Taurus BV funding the Cash Consideration for the remaining 67.27% of Heemskirk Shareholders who accepted the Cash Consideration); and • If 50% of Heemskirk Shareholders (including Taurus BV) accept the Offer in return for the Share Consideration and 50% of Heemskirk Shareholders for the Cash Consideration, Taurus BV (together with T2 LP and T2 Trust) will hold 80.73% of Bidder Shares (being 30.73% of Heemskirk Shares which it would have accepted in return for the Share Consideration and 50% of new Bidder Shares issued by the Bidder in consideration of Taurus BV funding the Cash Consideration. The remaining 19.27% would be held by the 50% of Heemskirk Shareholders (excluding Taurus BV) who accepted the Offer in return for the Cash Consideration. 	Refer to section 7 for further information.

FREQUENTLY ASKED QUESTIONS CONTINUED

#	Question	Answer	Section
7	What is a Bidder Share?	A Bidder Share is one common share in the capital of the Bidder.	Refer to sections 2 and 3 for further details.
8	Is there anything I need to do in order to accept the Share Consideration?	<p>If you are eligible and elect to receive the Share Consideration, there is nothing you need to do in order to receive the Share Consideration as, pursuant to the Offer Terms contained in Appendix 1, you will appoint the Bidder as your attorney to sign an adherence deed to the Unanimous Shareholders Agreement.</p> <p>However, Heemskirk Shareholders who accept the Share Consideration will be required to sign and return a duly executed adherence deed to the Unanimous Shareholders Agreement within 20 Business Days of being issued the Bidder Shares.</p>	Refer to section 2.3 and paragraph 6.7 of Appendix 1 for further details.
9	Are there any circumstances in which I will not be entitled to elect to receive the Share Consideration?	<p>If you are an Ineligible Foreign Shareholder, and you elect to receive the Share Consideration, you will not be entitled to receive the Bidder Shares. Generally speaking, if your address on the Register is in a jurisdiction other than Australia, its external territories or New Zealand, you will be considered an Ineligible Foreign Shareholder.</p> <p>Instead, subject to receipt of any ASIC relief, the number of the Bidder Shares you would otherwise be entitled to will be issued to the Nominee, who will sell those Bidder Shares on your behalf. You will then be paid by the Nominee the net proceeds of the sale of the Bidder Shares you would have been entitled to.</p> <p>Please refer to section 6.3 of the Offer Terms in Appendix 1 for further details.</p>	Refer to the notice of foreign Heemskirk Shareholders in the Important Information section and paragraph 6.3 of Appendix 1 for further details.
10	What happens if I accept the Offer in return for the Cash Consideration and then the Bidder increases the Cash Consideration?	<p>In the absence of an alternative proposal being announced, the Bidder does not currently intend to increase the value of the Cash Consideration (although, the Bidder reserves the right to do so).</p> <p>If the Bidder improves the Cash Consideration and you do not change your election, all Heemskirk Shareholders who accept the Offer in return for the Cash Consideration (whether they have accepted the Offer in return for the Cash Consideration before or after improvement of the Cash Consideration) will be entitled to receive the benefit of the improved Cash Consideration, should the Offer become or be declared unconditional.</p>	

FREQUENTLY ASKED QUESTIONS CONTINUED

#	Question	Answer	Section
11	What choices do I have as a Heemskirk Shareholder?	<p>As a Heemskirk Shareholder, you have the following choices in respect of your Heemskirk Shares:</p> <ul style="list-style-type: none">• accept the Offer in return for the Cash Consideration;• accept the Offer in return for the Share Consideration;• sell your Heemskirk Shares on the ASX (unless you have already accepted the Offer for your Heemskirk Shares); or• do nothing.	
12	What happens if I hold partly paid Heemskirk Shares?	<p>If your Heemskirk Shares are partly paid and you elect to receive the Cash Consideration, the amount of Cash Consideration you will be entitled to receive (subject to adjustment under any other provision of the Offer) will be \$0.075 multiplied by the proportion of the amount paid up on your partly paid shares bears to the total amount payable.</p> <p>If you elect to receive the Share Consideration, then you will receive a number of Bidder Shares equal to the aggregate number of partly paid Heemskirk Shares you hold multiplied by the proportion which the amount paid up on your partly paid Heemskirk Shares bears to the total amount payable (subject to rounding).</p>	Refer to paragraph 2.5 of the Offer Terms for further information.

FREQUENTLY ASKED QUESTIONS CONTINUED

#	Question	Answer	Section
13	Why I should accept the Offer?	<p>The Offer is designed to delivery significant benefits to Heemskirk Shareholders, as follows:</p> <ul style="list-style-type: none">• in the absence of a superior proposal and subject to receiving an opinion by an independent expert that the Offer is fair and reasonable, the Heemskirk Directors unanimously recommend you accept the Offer in return for the Cash Consideration;• the Cash Consideration provides a substantial premium to historic trading levels for your Heemskirk Shares;• the Cash Consideration provides a liquidity event without further equity dilution;• the Offer removes significant risks that could affect the value of your Heemskirk Shares if you elect the Cash Consideration;• you will receive certain value for your Heemskirk Shares if you elect the Cash Consideration;• if you accept the Share Consideration, you will retain exposure to the Heemskirk assets;• CGT rollover relief is expected to be available for those Heemskirk Shareholders who accept the Share Consideration;• Heemskirk Shareholders will not incur stamp duty or brokerage charges;• if the Offer is not successful, and no alternative proposal emerges, the Heemskirk Share price may fall;• the Offer is the only offer available for Heemskirk Shares; and• the Offer ensures that Heemskirk Shareholders can sell their Heemskirk Shares.	Refer to section entitled 'Reasons to accept the Offer' for further details.

FREQUENTLY ASKED QUESTIONS CONTINUED

#	Question	Answer	Section
14	Are there any risks in accepting the Offer in return for the Share Consideration?	<p>Provided you are not an Ineligible Foreign Shareholder, if you accept the Offer in return for the Share Consideration, you will be issued with Bidder Shares. There are a number of risk factors associated with an investment in Bidder Shares. These risks include:</p> <ul style="list-style-type: none">• (Moberly construction risk) Moberly remains under construction and has been subject to multiple delays compared to its original schedule. The Bidder cannot give assurances that remaining Moberly construction activities will be completed on-time and on-budget in accordance with the current development schedule. There are also risks associated with ensuring contractors and subcontractors perform their contractual obligations to the Company and do not withdraw from their contractual arrangements. Any additional delays are likely to result in an additional funding requirement on behalf of the Combined Group;• (weather and climate conditions) Moberly is located in a mountainous area that is typically subject to significant snow fall and extremely cold temperatures during winter months. Adverse weather conditions are a risk to completion of remaining Moberly construction activities and/or future operations, which could have an adverse effect on the Combined Group's financial and operational performance;• (production and cost estimates) the ability to achieve Moberly's production targets, or meet operating and capital expenditure estimates on a timely basis cannot be assured as the assets of Heemskirk are subject to uncertainty. No assurance can be given that estimates of future Moberly production, cash costs and capital costs of production will be achieved. Failure to achieve production or cost estimates or material increases in costs could have an adverse impact on the Combined Group's future cash flows, profitability, results of operations and financial condition;• (ore reserves and mineral resources) Heemskirk's ore reserves and mineral resources are expressions or judgements based on industry practice, experience and knowledge and are estimates only. Estimates of ore reserves and mineral resources are necessarily imprecise and depend to some extent on interpretations which may prove inaccurate. No assurance can be given that the estimated reserves and resources are accurate or that the indicated level of silica or any other mineral will be produced;	Refer to section 9 for further details.

FREQUENTLY ASKED QUESTIONS CONTINUED

#	Question	Answer	Section
14	Are there any risks in accepting the Offer in return for the Share Consideration? (continued)	<ul style="list-style-type: none"> • (geological and geotechnical) there is a risk that unforeseen geological and geotechnical difficulties may be encountered when developing and mining ore reserves, such as unusual or unexpected geological conditions, pit wall failures, rock bursts, seismicity and cave-ins. In any of these events, a loss of revenue may be caused due to the lower than expected production and/or higher than anticipated operation and maintenance costs and/or on-going unplanned capital expenditure in order to meet production targets; and • (off-take risk) at the time of publishing this Bidder's Statement, Heemskirk had not entered into any off-take contracts for the future sale of Moberly frac sand production. Until such time as unconditional off-take contracts are entered into, uncertainty will exist in relation to the sales estimates, in both physical tonnages and unit pricing terms, which support Moberly's forecast revenues. 	
15	When does the Offer open and close?	<p>The Offer will open on [•] March 2017 and is scheduled to close at 7pm (Sydney time) on [•] April 2017.</p> <p>The Offer Period can be extended as permitted by the Corporations Act.</p>	Refer to paragraph 3 of Appendix 1 for further details.
16	How do I accept the Offer?	Please refer to section 1.2 and the instructions on the accompanying Acceptance Form.	Refer to paragraph 5 of Appendix 1 for further details.
17	What are the conditions of the Offer?	<p>The Offer is subject to customary conditions and a minimum acceptance condition.</p> <p>Under the minimum acceptance condition, the Offer is conditional on minimum acceptance of the Offer by Heemskirk Shareholders such that, when taken together with Heemskirk Shares already held by the Bidder Group, the Bidder would have a relevant interest in at least 90% of Heemskirk Shares.</p> <p>Further information on all the Offer conditions can be found in Appendix 2.</p>	Refer to paragraph 7 of Appendix 1 and Appendix 2 for further details.

FREQUENTLY ASKED QUESTIONS CONTINUED

#	Question	Answer	Section
18	When will I receive the Cash Consideration or the Share Consideration?	<p>If you accept the Offer, the Bidder will, in the usual case, pay you the Cash Consideration or provide you the Share Consideration on or before the earlier of:</p> <ul style="list-style-type: none"> • one month after the later of the Offer being validly accepted by you and the Offer (or the contract resulting from acceptance of the Offer) becoming unconditional; and • 21 days after the end of the Offer Period, provided that the Offer has become unconditional. <p>Full details of when payments will be made are set out in paragraph 6 of Appendix 1.</p>	Refer to section 1.1 for further details.
19	What happens if the Heemskirk Board declares a dividend (or if any Rights arise) during the Offer Period?	<p>If you continue to hold Heemskirk Shares on the record date for any Heemskirk dividend, you will be entitled to receive that dividend.</p> <p>However, the value of the Cash Consideration will be reduced by the amount of any Heemskirk dividend which arises or accrues after the Announcement Date.</p>	Refer to paragraph 6.6 of Appendix 1 for further details.
20	Can I accept the Offer for part of my holding?	No – you may only accept the Offer for all of your Heemskirk Shares.	Refer to paragraph 1 of Appendix 1 for further details.
21	Will my Bidder Shares be listed on the ASX or any other recognised stock exchange?	No – the Bidder is a Canadian private corporation existing under the Business Corporations Act (Alberta) and its shares are not currently intended to be listed on any stock exchange.	
22	What rights will my Bidder Shares have?	<p>The Bidder Shares issued under this Offer will be issued fully paid and will rank equally for dividends and other rights with the existing Bidder Shares.</p> <p>Bidder Shares are governed by the Bidder's charter documents (including the Bidder Articles and the Unanimous Shareholders Agreement) and applicable Canadian law. Details of those rights are set out in section 2.3. Heemskirk Shareholders will note that the rights attaching to Bidder Shares are similar to the rights attaching to Heemskirk Shares. However there are key differences including:</p> <ul style="list-style-type: none"> • restrictions on transfer: transfers are subject to pre-emptive rights (with some exceptions) as well as the approval of the board of directors or shareholders; 	Refer to sections 2.3 and 3 for further details.

FREQUENTLY ASKED QUESTIONS CONTINUED

#	Question	Answer	Section
22	What rights will my Bidder Shares have? (continued)	<ul style="list-style-type: none"> • unlisted: the Bidder is unlisted. Accordingly, it will not be possible to trade shares on an exchange (which will impact on their liquidity relative to Heemskirk Shares); and • drag-along rights: customary drag-along rights mean that majority shareholders (holding 75% or more) wishing to sell their Bidder Shares to a bona fide third party purchaser, may be able to force minority shareholders to also sell their Bidder Shares to the same third party. 	
23	Can I withdraw my acceptance?	Under the Offer Terms, you cannot withdraw your acceptance unless a withdrawal right arises under the Corporations Act. Such a withdrawal right will arise if, after you have accepted the Offer, the Bidder varies the Offer in a way that postpones, for more than one month, the time when the Bidder has to meet its obligations under the Offer (for example, if the Bidder extends the Offer for more than one month while the Offer remains conditional).	Refer to paragraph 8 of Appendix 1 for further details.
24	What happens if I do not accept the Offer?	<p>If you do not accept the Offer and the Bidder acquires a relevant interest in at least 90% of Heemskirk Shares and the other conditions of the Offer are satisfied or waived, the Bidder intends to proceed to compulsorily acquire outstanding Heemskirk Shares. If this occurs, you will receive the Offer Consideration which you have elected for each of your Heemskirk Shares at the conclusion of this process. If you do not elect which form of consideration you would prefer, you will be deemed to have elected the Cash Consideration.</p> <p>You may receive the form of Offer Consideration sooner if you accept the Offer, rather than being compulsorily acquired.</p> <p>If the Takeover Bid becomes or is declared unconditional but the Bidder does not become entitled to compulsorily acquire your Heemskirk Shares, you will remain a shareholder in Heemskirk.</p> <p>The Bidder will seek to have Heemskirk delisted from the ASX if it is able to do so consistent with ASX's guidance. If delisting is approved by the ASX, your Heemskirk Shares will no longer be quoted or able to be traded on the ASX.</p> <p>See sections 5.2, 5.3 and 5.4 for further information.</p>	Refer to section 5.2, 5.3 and 5.4 for further information.
25	Does a cooling off period apply to acceptances of the Offer?	No, cooling off rights do not apply to acceptances made under the Offer.	Refer to paragraph 8 of Appendix 1 for further details.

FREQUENTLY ASKED QUESTIONS CONTINUED

#	Question	Answer	Section
26	Can the Bidder extend the Offer Period?	Yes, the Offer Period can be extended at the Bidder's election or otherwise in accordance with the Corporations Act. The Bidder will give written notice of any extension of the Offer Period in accordance with the Corporations Act.	Refer to paragraph 3 of Appendix 1 for further details.
27	Can I sell my Heemskirk Shares on the ASX?	Yes, you may sell your Heemskirk Shares, but you may incur brokerage costs if you do. If you have already accepted the Offer, you will be unable to settle any subsequent sale of your Heemskirk Shares, unless you are entitled to withdraw your acceptance in accordance with the terms of the Offer.	Refer to Appendix 1 for further details.
28	What if the Offer Conditions are not satisfied or waived?	<p>If the Conditions are not satisfied or waived by the end of the Offer Period, then the Offer will lapse and your acceptance will be void.</p> <p>You will continue to hold your Heemskirk Shares and be free to deal with your Heemskirk Shares as if the Offer had not been made, unless you have already sold your Heemskirk Shares to someone else.</p>	Refer to paragraph 7 of Appendix 1 for further details.
29	What are the tax implications of accepting this Offer?	Section 8 provides a brief guide to the Australian and Canadian tax implications for certain Heemskirk Shareholders who accept the Offer in return for the Cash Consideration or the Share Consideration. The information only applies to individuals who hold their Heemskirk Shares on capital account and who are Australian residents. Note that this information is general only and does not take into account your personal circumstances, situation or needs. In addition, the Bidder recommends you seek independent professional advice in relation to your own particular circumstances.	Refer to section 8 for further details.
30	Will I need to pay brokerage or stamp duty if I accept the Offer?	You will not pay brokerage or stamp duty on the disposal of your Heemskirk Shares if you accept the Offer. If your Heemskirk Shares are in a CHESS Holding or you hold your Heemskirk Shares through a bank, custodian or other nominee, you should ask your Controlling Participant (usually, your Broker or the bank, custodian or other nominee) whether it will charge any transaction fees or services charges.	Refer to section 8 for further details.

1

OVERVIEW OF THE OFFER

The following is a summary only of the Offer and is qualified by the detailed information contained in the rest of this Bidder's Statement. You should read this Bidder's Statement in full before deciding how to deal with your Heemskirk Shares.

The terms and conditions of the Offer are contained in Appendices 1 and 2.

1.1 SUMMARY OF THE OFFER TERMS AND CONDITIONS

The Offer

The Bidder offers to acquire all of your Heemskirk Shares on the Offer Terms set out in Appendix 1 and subject to the Conditions in Appendix 2. You will be entitled to elect to receive either \$0.075 cash or 1 Bidder Share for every Heemskirk Share acquired from you.

The Offer relates to fully paid Heemskirk Shares that exist or will exist as at the Register Date.

The Offer also extends to all Heemskirk Shares that are issued between the Register Date and the end of the Offer Period as a result of the conversion of any Heemskirk securities or the vesting of Employee Securities.

If you are an Ineligible Foreign Shareholder you will not receive the Bidder Shares (see sections 2.2 and paragraph 6.3 of Appendix 1). Persons resident in Australia, its external territories and New Zealand are not Ineligible Foreign Shareholders.

Offer Period

The Offer Period is scheduled to close at 7pm (Sydney time) on [●] April 2017 (but it may be extended).

Payment Date

If you accept the Offer and the Offer is declared or becomes unconditional, in the usual case you will be provided with the Cash Consideration or the Share Consideration (as applicable) on or before the earlier of:

- one month after the later of the Offer being validly accepted by you and the Offer (or the contract resulting from acceptance of the Offer) becoming unconditional; and
- 21 days after the end of the Offer Period, provided that the Offer has become unconditional,

provided that all relevant documents have been received and correctly completed.

Subject to any relevant ASIC relief, if an Ineligible Foreign Shareholder elects to receive the Share Consideration, the Bidder Shares to which they would otherwise be entitled will be issued to the Nominee. Those Bidder Shares will be offered for sale and the net proceeds provided to the Ineligible Foreign Shareholders in Australian dollars in accordance with section 6.3 of Appendix 1 and subject to the restrictions set out in section 6.3 of Appendix 1.

Conditions

The Offer is subject to a number of Conditions set out in Appendix 2 to this Bidder's Statement, including:

- (a) minimum acceptance of the Offer by Heemskirk Shareholders such that, when taken together with Heemskirk Shares already held by the Bidder Group, the Bidder would have a relevant interest in at least 90% of Heemskirk Shares;
- (b) receipt of any other regulatory approvals;
- (c) no material adverse change effect;
- (d) no material acquisitions, disposals or new commitments;
- (e) no distributions; and
- (f) no prescribed occurrences occurring.

1 OVERVIEW OF THE OFFER CONTINUED

This is only a summary of the Conditions. The Conditions are set out in full in Appendix 2 to this Bidder's Statement. If the conditions are not satisfied or waived by the Bidder then the Offer will not proceed.

1.2 HOW TO ACCEPT THE OFFER?

Acceptances for the Offer must be received in sufficient time to be acted upon before the close of the Offer Period. To accept the Offer you should follow the instructions set out in paragraph 5 of the Offer Terms in Appendix 1 and the relevant Acceptance Form.

1.3 WHAT WILL THE TAX CONSEQUENCES BE?

Section 8 provides a brief guide to the Australian and Canadian tax implications for certain Heemskirk Shareholders who accept the Offer in return for the Cash Consideration or the Share Consideration. The information only applies to individuals who hold their Heemskirk Shares on capital account and who are Australian residents. Note that this information is general only and does not take into account your personal circumstances. In addition, the Bidder recommends you seek independent professional advice in relation to your own particular circumstances, situation or needs.

1.4 DISTRIBUTIONS

If you accept the Offer in return for the Share Consideration, you will be entitled to receive any dividends in the future for each Bidder Shares you hold issued as Share Consideration under the Offer. All Bidder Shares will rank equally for all distributions.

Heemskirk Shareholders will be entitled to retain the right to receive distribution on Heemskirk Shares up to the date the sale of your Heemskirk Shares is completed. However, the value of the Cash Consideration will be reduced by the amount of any dividend which arises or accrues after the Announcement Date.

1.5 DO I PAY BROKERAGE OR STAMP DUTY IF I ACCEPT?

You will not pay brokerage or stamp duty on the disposal of your Heemskirk Shares if you accept the Offer. If your Heemskirk Shares are in a CHESS Holding or you hold your Heemskirk Shares through a bank, custodian or other nominee, you should ask your Controlling Participant (usually, your Broker or the bank, custodian or other nominee) whether it will charge any transaction fees or services charges.

1.6 FURTHER INFORMATION

If you have any questions in relation to the Offer or how to accept it, or if you have lost your personalised Acceptance Form and require a replacement, please submit an enquiry via the Bidder's website (www.northernsilica.com).

2 INFORMATION REGARDING THE BIDDER

2.1 STRUCTURE OF THE BIDDER GROUP

The Bidder is called Northern Silica Corporation and is a Canadian private corporation incorporated in Alberta, Canada on 1st December 2016. The Bidder is a special purpose vehicle which was incorporated for the sole purpose of holding Heemskirk Shares and issuing the Share Consideration to Heemskirk Shareholders.

Other than its nominal share capital, the Bidder has no other assets or liabilities. The Bidder's funding arrangements in relation to the Offer are set out in section 7.

The directors of the Bidder are set out below.

Martin Boland	Martin is a director at Taurus Funds and is based in Sydney. He holds a Bachelor of Business (Economics & Finance) and a Masters of Mining Engineering. Prior to joining Taurus Funds in 2014, Martin worked in investment banking including with Barclays Capital and ABN Amro Bank.
Stuart Love	Stuart is a director at Taurus Funds and is based in Sydney. He holds a Bachelor of Science (Geology) and Masters of Statistics. Prior to joining Taurus Funds in 2014, Stuart has worked in a variety of mine operations, finance and technical consulting roles. This has included experience with Newcrest Mining, WMC Resources, Rothschild, Coffey Mining and Sahara Geoservices. Stuart is a Member of the AusIMM.
Frank Turner	Frank is a Partner at Osler, Hoskin & Harcourt LLP. Frank currently practices from the firm's Calgary office in the areas of mergers and acquisitions and corporate finance. Frank routinely advises companies and other enterprises in the resource, financial services and technology sectors on matters involving acquisitions, dispositions, strategic alliances, governance and corporate finance.

Upon completion of the transaction the Bidder intends to make additional appointments to the board of the Bidder in accordance with the framework set out in the Unanimous Shareholders Agreement. On this basis Mr Frank Turner is currently serving on an interim basis with a replacement independent non-executive director to be appointed upon completion of the Offer.

The Bidder intends to appoint Mr Reid MacDonald as an independent non-executive director and Mr Mark Connors as President and Chief Executive Officer of the Bidder, each on usual commercial terms and upon completion of the Offer. On an interim basis Mr Martin Boland is serving as President and Secretary of the Bidder.

Mr MacDonald currently serves as a non-executive director of Heemskirk Canada Limited and Mr Connors currently serves as acting Chief Executive Officer of Heemskirk and President of Heemskirk Canada Limited.

In accordance with framework set out in the Unanimous Shareholders Agreement, the Bidder board will seek to elect a chairperson once all board appointments are finalised.

2.2 THE BIDDER GROUP OVERVIEW

The Bidder is owned as follows:

- (a) 90% by Taurus BV;
- (b) 9.86% by T2 LP; and
- (c) 0.14% by T2 Trust.

2 INFORMATION REGARDING THE BIDDER CONTINUED

Taurus BV is a private limited company incorporated in the Netherlands and is wholly owned by Taurus Co-op, a holding entity also incorporated in the Netherlands. Taurus Co-op is in turn owned by the T2 Fund.

The T2 Fund is comprised of T2 LP and T2 Trust. T2 LP is a limited partnership investment vehicle established in the Cayman Islands. T2 LP is a closed-end investment vehicle whose strategy is to invest in emerging mining and metals companies with projects primarily in the appraisal and development stages. The general partner of T2 LP is Taurus GP LLC, a Delaware limited liability company and a Cayman Island registered foreign company. T2 Trust is an unlisted investment trust established under the laws of Australia.

The T2 Fund is managed by Taurus Funds, an independent, global funds management group whose clients include institutional and high net worth individuals.

Taurus BV is an existing Heemskirk Shareholder. The Bidder Group and its associates hold voting power in 32.78% of Heemskirk Shares.¹

Taurus BV is also a lender to Heemskirk under the Senior Facility Agreement.

2.3 GOVERNANCE ARRANGEMENTS OF THE BIDDER AND RIGHTS ATTACHING TO BIDDER SHARES

The operation and governance of the Bidder is subject to the Business Corporations Act (Alberta) and the Bidder's charter documents which are comprised of the Bidder's Articles, by-laws, the Unanimous Shareholders Agreement and board charter.

If the Offer is completed, those Heemskirk Shareholders who elect to receive the Share Consideration will own Bidder Shares. The structure of the Bidder and the rights attaching to the Bidder Shares are different to the structure of Heemskirk and the rights attaching to the Heemskirk Shares. Accordingly, a comparison of material differences is set out in the table below:

Item	Position as holder of Heemskirk Shares	Position as holder of Bidder Shares ²
Nature of entity	Heemskirk is an Australian public corporation, incorporated under the laws of Australia and listed on the ASX.	The Bidder is a private corporation incorporated under the laws of Alberta, Canada.
Management	Management of Heemskirk is conducted by its management team and overseen by its board of directors.	Management of the Bidder is conducted by its board of directors and management team.

1. This figure includes voting power held by, or on behalf of, another fund who is managed by the same entity which manages the T2 Fund.

2. The description of the terms of the Bidder's charter documents and the provisions of the Business Corporations Act (Alberta) are a summary only and are qualified by the full text of such instruments which are available from the Bidder upon request.

2 INFORMATION REGARDING THE BIDDER CONTINUED

Item	Position as holder of Heemskirk Shares	Position as holder of Bidder Shares ²
Appointment and removal of directors, operators and managers	Heemskirk Shareholders have the right, by majority vote, to appoint directors to and remove directors from the board of Heemskirk.	<p>Holders of Bidder Shares with a twenty percent (20%) or greater equity interest in the Bidder may appoint one (1) director per each twenty percent (20%) interest they own in accordance and subject to compliance with the requirements of the Unanimous Shareholders Agreement (each of which is referred to as a “Designated Director”).</p> <p>The board of directors of the Bidder will propose director nominees to Bidder shareholders in advance of any Shareholder meeting called for the purposes of electing directors and such recommendation will include each Designated Director.</p> <p>Pursuant to the Unanimous Shareholders Agreement each shareholder agrees to vote all of its Bidder Shares for the directors recommended by the board.</p>
Shareholder matters	<p>Under the Corporations Act, ASX Listing Rules and the constitution of Heemskirk, certain matters must be put to Heemskirk Shareholders.</p> <p>These matters include:</p> <ul style="list-style-type: none"> • certain issuances of Heemskirk Shares (including certain issues to a related party or that are above the 15% per annum limit specified in ASX Listing Rule 7.1); • certain related party dealings; • appointment of directors; • amendments to the Heemskirk constitution; and • most reorganisations of capital (including capital returns by Heemskirk, certain buy-backs and schemes of arrangement). 	<p>Under the Unanimous Shareholders Agreement, any action with respect to the following matters shall be put to Bidder shareholders for approval, including:</p> <ul style="list-style-type: none"> • making any material change to the nature of the business of the corporation, undertaking of new activities or starting a new business; • authorising or permitting the entry by the Bidder into: <ul style="list-style-type: none"> (i) a merger, consolidation, arrangement or amalgamation with any other person; (ii) a scheme for the acquisition of another enterprise; (iii) a scheme for another enterprise to take over the Bidder or any of its subsidiaries;

2 INFORMATION REGARDING THE BIDDER CONTINUED

Item	Position as holder of Heemskirk Shares	Position as holder of Bidder Shares ²
Shareholder matters (continued)	Under Australian law, Heemskirk Shareholders, holding at least 5% of the votes that may be cast in a general meeting or at least 100 Heemskirk Shareholders who are entitled to vote at the meeting may, by written notice, propose a resolution for consideration by Heemskirk Shareholders.	<p>(iv) a partnership, joint venture or similar arrangement or any transaction which is not in the ordinary course of the business of the Bidder; and</p> <p>(v) any proposal to amend the Bidder's Articles or charter documents; or</p> <ul style="list-style-type: none"> adopting a profit-sharing, share option, bonus or other incentive scheme for the benefit of the directors, other officers or other employees of, or service provider to, the Bidder and any material amendment to or termination of the scheme. <p>For these matters to be approved, they require either at any meeting of Bidder shareholders duly called for the purpose of considering the proposed action, at which at least seventy-five (75%) of the votes attached to all of the common shares then outstanding are cast in favour of the action; or all of the Bidder shareholders consent to such action by written resolution.</p> <p>Under the Business Corporations Act (Alberta), certain corporate actions such as an amendment to a corporation's articles, an amalgamation, name change or sale of all or substantially all of the corporation's assets require approval of two thirds of the votes cast at a shareholder meeting held to consider the proposed action by shareholders present in person or by proxy.</p>

2 INFORMATION REGARDING THE BIDDER CONTINUED

Item	Position as holder of Heemskirk Shares	Position as holder of Bidder Shares ²
Fiduciary duties	<p>The Heemskirk Directors bear a number of duties under the Corporations Act and general law to Heemskirk Shareholders.</p> <p>These duties include duties to: act in good faith in the interests of Heemskirk Shareholders; act for a proper purpose; not fetter their discretion; exercise care, skill and diligence; avoid conflicts of interest; not misuse their position to their advantage; and not misappropriate company property.</p>	<p>The Bidder Directors owe a series of duties under the Business Corporations Act (Alberta) and Canadian law to the Bidder other laws and the manner in which case law has interpreted applicable legislation have established that in certain circumstances, it is appropriate for directors to note the interests of other stakeholders.</p> <p>These duties include duties to: act honestly and in good faith in the best interests of the corporation; to avoid conflicts of interest; to maintain a duty of care to the corporation; to refrain from using their position to their personal advantage and a duty of confidentiality.</p>
Protection of minority holders/oppression remedy	<p>Under the Corporations Act, any shareholder of Heemskirk can bring an action in cases of conduct which is contrary to the interests of shareholders as a whole, or oppressive to, unfairly prejudicial to, or unfairly discriminatory against, any shareholder(s) whether in their capacity as shareholder or in any other capacity. Former shareholders can also bring an action if it relates to circumstances in which they ceased to be a shareholder.</p> <p>Under Australian law, a statutory derivative action may also be instituted by a shareholder, former shareholder or person entitled to be registered as a shareholder of Heemskirk. In all cases, leave of the court is required. Such leave will be granted if the court is satisfied that: (i) it is probable that Heemskirk will not itself bring the proceedings or properly take responsibility for them or for the steps in them; (ii) the applicant is acting in good faith; (iii) it is in the best interests of the company that the applicant be granted leave; (iv) if the applicant is applying for leave to bring proceedings, there is a serious question to be tried; and (v) either at least 14 days before making the application, the applicant gave written notice to Heemskirk of the intention to apply for leave and the reasons for applying or it is otherwise appropriate to grant leave.</p>	<p>Under the Business Corporations Act (Alberta), any shareholder may commence a claim against the corporation in cases where the actions or omissions of the corporation or its management are oppressive, unfairly prejudicial or unfairly disregard the interests of the shareholder.</p> <p>Further under the Business Corporations Act (Alberta), a derivative action may be launched by a shareholder, former shareholder or a person deemed by the court to be a proper person to bring an application. To bring a derivative action, the claimant must be able to establish the following conditions before the court:</p> <ul style="list-style-type: none"> (i) The directors of the corporation will not bring, diligently prosecute or defend or discontinue the action; (ii) The complainant has given reasonable notice to the directors of the corporation of his or her intention to seek leave to commence a derivative action; (iii) The complainant is acting in good faith; and (iv) It appears to be in the interests of the corporation that the action be brought, prosecuted, defended or discontinued.

2 INFORMATION REGARDING THE BIDDER CONTINUED

Item	Position as holder of Heemskirk Shares	Position as holder of Bidder Shares ²
Protection of minority holders/oppression remedy (continued)	Under Australian law, where it is proposed to give a financial benefit to a related party, Heemskirk must, except in certain circumstances, seek the approval of the Heemskirk Shareholders. There is an exemption in circumstances in which the terms of the transaction would have been reasonable had the parties been dealing at arms' length.	<p>In certain circumstances, the Business Corporations Act (Alberta) provides Bidder shareholders with a dissent and appraisal right which is a right of a shareholder to require the company to purchase its shares at an appraised "fair value". Where a shareholder has duly exercised such right, the shareholder may bring an action before the court to have a determination made as to the "fair value" of its shares.</p> <p>The foregoing list is not exhaustive of all of the provisions of the Business Corporations Act (Alberta) that are intended to protect the rights of minority shareholders.</p>
Anti-dilution	<p>Under the ASX Listing Rules, Heemskirk cannot, without the consent of Heemskirk Shareholders, issue "equity securities" that are (or are convertible into) more than 15% of its issued capital over any 12 month period.</p> <p>There are some limited exceptions to this rule such as issues under a rights issue (including to an underwriter).</p>	<p>Under the Unanimous Shareholders Agreement, the Bidder must provide shareholders with notice of an intention to issue additional securities, and give shareholders the option to purchase their pro rata proportion of the additional securities in part or whole before issuing the securities to third parties.</p> <p>The Bidder may issue additional securities without providing this option to purchase to Bidder shareholders in the following circumstances:</p> <ul style="list-style-type: none"> • upon the exercise, conversion or exchange of rights attached to other previously issued securities of the Bidder; or • in connection with the acquisition of assets or services (including bank loans, equipment lease financings and acquisition transactions) by the Bidder from a person with whom the Bidder deals at arm's length.

2 INFORMATION REGARDING THE BIDDER CONTINUED

Item	Position as holder of Heemskirk Shares	Position as holder of Bidder Shares ²
Takeovers and mergers	<p>Australian law places restrictions on persons acquiring interests in voting Heemskirk Shares where, as a result of the acquisition, that person's or someone else's voting power increases from 20% or below to more than 20%, or from a starting point that is above 20% but below 90%.</p> <p>Generally, such acquisitions cannot be made unless the person does not acquire more than 3% of the voting Heemskirk Shares in any six month period, the acquisition is made with shareholder approval, the acquisition occurs under a scheme of arrangement or the acquisition is made under a takeover bid (similar to the Offer) made in accordance with Australian law.</p> <p>Takeover bids must treat all shareholders alike and must not involve any collateral benefits. Various restrictions about conditional offers exist and there are also substantial restrictions concerning the withdrawal or suspension of offers.</p>	<p>The Unanimous Shareholders Agreement provides for customary tag along, drag along and information rights.</p> <p>Canadian securities law prescribe a comprehensive code in respect of takeover bids requiring among other things and subject to certain exceptions, equal treatment of shareholders.</p> <p>Generally, a takeover bid is triggered when a person, or group of persons acting jointly or in concert, acquire or offer to acquire more than 20% of a class of outstanding securities of the corporation, subject to certain exemptions.</p> <p>One such exemption that may be applicable to the Bidder's circumstances is the "non-reporting issuer exemption" that exempts, from the formal takeover bid rules, an offer for securities of an issuer where: (i) the issuer is not a reporting issuer; (ii) there is no published market for the securities that are the subject of the offer; and (iii) the number of holders of the securities is not more than 50 excluding employees and former employees.</p>
ASX listing	<p>Heemskirk has a standard listing on ASX currently. Under a standard listing, the entity must comply with all ASX Listing Rules, unless granted a waiver of any by ASX.</p>	<p>The Bidder is a private corporation and none of its securities are listed on any recognised stock exchange or quotation listing service.</p>

2 INFORMATION REGARDING THE BIDDER CONTINUED

As noted, the Bidder will be governed and operated in accordance with the terms of the Business Corporations Act (Alberta) and its charter documents (one of which is the Unanimous Shareholders Agreement). A summary of the key terms of the Unanimous Shareholders Agreement is set out below:³

Item	Summary
Board of Directors	<p>Board functions will be governed by a board charter together with the Bidder's other charter documents and the operation of the Business Corporations Act (Alberta), which provides:</p> <ul style="list-style-type: none">• the board will constitute a minimum of 3 and a maximum of 8 directors;• 25% of those directors must be Canadian residents;• shareholders who hold a 20% equity interest in the Bidder will be able to appoint one (1) director for each full 20% held ("Designated Directors");• if there are three (3) or less Designated Directors on the Board, there must be a minimum of one (1) independent director on the board;• if there are four (4) or greater Designated Directors on the Board, there must be a minimum of two (2) Independent Directors on the Board;• the CEO/president may be appointed to the board as an executive director; and• the initial term of the board will be approximately one (1) year from shareholder election (or appointment in the case of a shareholder appointed director).
Special board matters – voting threshold	<p>Special board matters will be subject to a 75% vote of the directors present at that board meeting.</p> <p>Special board matters include:</p> <ul style="list-style-type: none">• allotting or issuing additional securities;• creating a new share class;• adjustment or variation of rights attaching to Bidder shares;• applying for the listing of the Bidder on a recognised stock exchange;• declaring or payment dividends;• approving or incurring capital expenditure in excess of C\$5,000,000;• disposal of material assets of the Bidder;• making any material changes to the accounting policies of the Bidder;• appointment of auditors of the Bidder;• the winding up or dissolution of the Bidder; and• approval of an annual budget and business plan of the Bidder.

3. The description of the terms of the Unanimous Shareholders Agreement is a summary only and is qualified by the full text of the agreement which is available upon request.

2 INFORMATION REGARDING THE BIDDER CONTINUED

Item	Summary
Special shareholder matters – voting threshold	<p>Special shareholder matters must be approved by 75% of the votes attached to all outstanding Bidder Shares.</p> <p>Special shareholder matters include:</p> <ul style="list-style-type: none">• making any material change to the nature of the business of the Bidder;• any merger, consolidation, arrangement or amalgamation of the Bidder;• a scheme for the acquisition of another enterprise by the Bidder or the acquisition of the Bidder or any subsidiary;• the entering into of any partnership, joint venture or similar arrangement or any transactions outside the ordinary course of business of the Bidder;• any amendment to the constitutional documents of the Bidder; and• adoption of a profit sharing, share option, bonus or other incentive scheme for the benefit of directors, officers or employees of the Bidder.
Share Issues	<p>If the board determines that the Bidder requires further equity funding, the Bidder must first offer those shares to the existing shareholders pro rata to each shareholders respective proportion in the Bidder as at the date of the share issue.</p> <p>In such circumstances, shareholders can request to receive more or less than their pro rata portion of the shares proposed to be issued. In the event that any shareholders elect to receive less than their pro rata portion, any otherwise unallocated shares will be distributed to those shareholders that elected to receive greater than their pro rata portion.</p> <p>If the number of shares taken up by existing shareholders is less than the number of shares on offer, the Bidder may issue that number of shares to a third party.</p> <p>Prior to the Bidder issuing any shares to a third party, the third party must enter into an adherence deed to the Unanimous Shareholders Agreement.</p> <p>The issue price for any new shares issued from treasury in the fifteen month period following incorporation of the Bidder shall not be less than C\$0.075 per share.</p>
Pre-Emptive Rights	<p>Any shareholder or shareholders proposing to transfer Bidder Shares must first offer those shares to the remaining shareholders. Any shares not acquired by the remaining shareholders in accordance with the pre-emption procedure specified in the Unanimous Shareholders Agreement can be sold to a third party within 6 months.</p> <p>A shareholder may transfer its shares without first offering them to the other shareholders in the following circumstances:</p> <ul style="list-style-type: none">• with the consent of the other shareholders;• to one or more companies wholly owned by the shareholder; <p>provided in each case the transferee agrees to become bound by the provisions of the Unanimous Shareholders Agreement.</p> <p>In addition, shareholders may sell shares without the requirement to first offer them to the other shareholders where the shares proposed to be sold, when aggregated with all other shares sold by the shareholder in the previous 12 months, do not exceed 0.2% of the outstanding shares of the Bidder on notice to the Bidder (provided always that the transferee agrees to become bound by the terms of the Unanimous Shareholders Agreement).</p> <p>The above rights are subject to general restrictions on transfer described below.</p>

2 INFORMATION REGARDING THE BIDDER CONTINUED

Item	Summary
Tag-Along Rights	Customary tag-along rights are included in the Unanimous Shareholders Agreement with the relevant threshold set at 50%. Tag along rights are contractual rights, typically found in a shareholders agreement, that allow a shareholder, or shareholders, of a corporation to participate in a sale of shares in circumstances where another shareholder has received an offer to sell. Under the Unanimous Shareholders Agreement, if a holder of Bidder Shares, or group of holders (the “ Proposing Transferor ”), propose to sell Bidder Shares that constitutes more than 50% of the Bidder Shares then outstanding to a non-affiliated third party, and the Proposing Transferor has complied with the provisions of the Unanimous Shareholders Agreement that relate to rights of first refusal as noted above, the Proposing Transferor is required to provide written notice to the Bidder and each of the other holders of Bidder Shares which describes the terms of the proposed sale. Following receipt of such notice, the other holders of Bidder Shares are entitled to participate in such transaction, on the same terms, by providing written notice to the Proposing Transferor.
Drag-Along Rights	Customary drag-along rights are included in the Unanimous Shareholders Agreement with the relevant threshold set at 75%. Drag along rights are contractual rights, typically found in a shareholders agreement, that allow a shareholder, or shareholders, of a corporation holding a prescribed number of shares who wish to accept a bona fide offer to purchase their shares, to compel the other shareholders of the corporation to participate in such transaction on the same terms. Under the Unanimous Shareholders Agreement, shareholders holding not less than 75% of the then issued and outstanding Bidder Shares (the “ Initiating Sellers ”) wishing to accept a bona fide offer, made or proposed by a non-affiliated third party purchaser (the “ Drag-Along Offer ”), can, on notice to each of the other holders of Bidder Shares, require such shareholders to participate in the Drag-Along Offer, and upon receipt of such notice, such other holders of Bidder Shares are deemed to have accepted the Drag-Along Offer and agreed to sell their Bidder Shares on the same terms as the Initiating Sellers.
Transfer Restrictions	Holders of Bidder Shares will only be able to transfer those shares in the limited circumstances described in the Unanimous Shareholders Agreement and then, only to those persons that agree to become a party to such agreement. Further, the Bidder’s Articles contain customary private company restrictions that prohibit the transfer of Bidder Shares without the approval of the Bidder Directors or holders of more than 50% of the Bidder Shares.
Reporting Requirements	<p>Bidder shareholders will be provided with:</p> <ul style="list-style-type: none">• a quarterly report which will include summary financial statements (unaudited), operations summary, commercial summary, environmental, social and governance summary and summary of any other material developments; and• audited financial statements. <p>All shareholder information to be distributed electronically via each shareholder’s nominated email and posted on the Bidder’s website (login to be provided to shareholders).</p>
Dispute Resolution	Any dispute amongst the Bidder shareholders and the Bidder will be resolved between the parties through good faith negotiations, failing which, the dispute will be referred to arbitration.

2 INFORMATION REGARDING THE BIDDER CONTINUED

Item	Summary
Termination	<p>The Unanimous Shareholders Agreement shall be automatically terminated upon:</p> <ul style="list-style-type: none">(i) Completion of an Initial Public Offering on the Toronto Stock Exchange or New York Stock Exchange;(ii) One person acquiring all of the outstanding shares of the Bidder; or(iii) By passing a resolution of a special shareholder matter (i.e. a 75% resolution).
Governing Law	<ul style="list-style-type: none">• The Unanimous Shareholders Agreement is governed by the laws of the province of Alberta and the federal laws of Canada applicable therein.• Shareholders of the Bidder, by becoming party to the Unanimous Shareholders Agreement irrevocably submit to the non-exclusive jurisdiction of the courts exercising jurisdiction in Alberta, Canada and courts of appeal from them in respect of any proceedings arising out of or in connection with the Unanimous Shareholders Agreement and irrevocably waives any objection to the venue of any legal process in these courts on the basis that the process has been brought in an inconvenient forum.

A Heemskirk Shareholder who elects to accept the Share Consideration and receives the Share Consideration will be required to sign and return a duly executed adherence deed to the Unanimous Shareholders Agreement within 20 Business Days of being issued Bidder Shares. If the relevant Heemskirk Shareholder does not return a duly signed adherence deed within this time frame, they will be deemed to be a **"Defaulting Shareholder"**. Under the Unanimous Shareholders Agreement, for so long as a shareholder is a Defaulting Shareholder, subject to the provisions of the Business Corporation Act (Alberta), its rights as a Bidder shareholder, including voting rights and rights to information, shall be suspended until such Bidder shareholder ceases to be a Defaulting Shareholder. A Defaulting Shareholder shall remain obligated for all its liabilities as a shareholder that accrue prior to and during the period of time such shareholder is a Defaulting Shareholder, including any such liabilities maturing thereafter but originating from actions taken prior thereto.

A full copy of the Unanimous Shareholders Agreement, the deed of adherence and the board charter can be found at www.northernsilica.com.

The deed of adherence can be printed from the Bidder's website (www.northernsilica.com) from 15 March 2017, signed and returned to the following address:

Jon McDonald
Osler, Hoskin & Harcourt LLP
Suite 2500
TransCanada Tower
450 – 1st Street
SW Calgary
Alberta, Canada T2P 5H1

2 INFORMATION REGARDING THE BIDDER CONTINUED

2.4 THE BIDDER FINANCIAL PERFORMANCE

The Bidder has no trading history and no material assets. Accordingly, no financial statements have been included in this section 2.

2.5 TAURUS FUNDS OVERVIEW

Established in 2006, Taurus Funds is an independent, global fund manager which provides investment services to institutional and high net worth clients. Taurus Funds specialises in investment products based on the mined commodities industries and employs a team of experienced geologists, mining engineers, mining financiers, metallurgists and portfolio managers. Taurus Funds focusses on funding the evaluation, development and operation of mining projects in public and private small cap mining companies.

The T2 Fund was established in March 2011 with capital commitments of US\$357 million. The T2 Fund is an eight year closed-end fund with a term until March 2019. This term can be extended until March 2021 upon certain conditions.

The T2 Fund has a track-record in financing the development and operation of various mining projects in a range of commodities and jurisdictions. The T2 Fund currently comprises the following investments:

Portfolio Company	Key Asset
Base Resources Limited	Kwale Minerals Sands Mine, Kenya
Hot Chili Limited	Productora Copper Project, Chile
Asanko Gold	Asanko Gold Mine, Ghana
Centamin plc	Sukari Gold Mine, Egypt
Realm Resources Limited	Foxleigh Coking Coal Mine, Australia Katingan Ria Thermal Coal Project, Indonesia
Ouro Mining Inc.	Heavener Coking Coal Project, USA
Whitehaven Coal Limited	Various Gunnedah Basin Coking & Thermal Coal Mines, Australia

3 INFORMATION ABOUT THE BIDDER SHARES

3.1 THE BIDDER CAPITAL STRUCTURE

As at the date of this Bidder's Statement, the issued share capital of the Bidder is as follows:

Class of share	Total number in issue	Shareholder
Common shares	9,000	Taurus BV
Common shares	986	T2 LP
Common shares	14	T2 Trust
Total	10,000	

3.2 DIVIDENDS

Given that the Bidder was only incorporated on 1 December 2016, it has not declared any dividends.

4

INFORMATION ON HEEMSKIRK

4.1 DISCLAIMER

The following information on Heemskirk has been prepared by the Bidder using publicly available information and other information available to the Bidder, and has not been independently verified.

Accordingly, subject to the Corporations Act, none of the Bidder, the Directors or any member of the Bidder Group or their respective officers or employees makes any representation or warranty (express or implied) as to the accuracy or completeness of this information.

The information on Heemskirk in this Bidder's Statement should not be considered comprehensive. You should refer to Heemskirk's website and Heemskirk's Target Statement which will be sent to you by Heemskirk soon in response to this Bidder's Statement.

4.2 OVERVIEW OF HEEMSKIRK AND ITS PRINCIPAL ACTIVITIES

Heemskirk was listed on the ASX in October 2004 with an original strategy to create a "mining finance house" via direct investment in a range of resource ventures, commodities and countries. This strategy resulted in the assembly of a broad portfolio of investments all of which have since been disbanded other than Heemskirk's remaining asset, the Moberly Project in British Columbia.

Moberly involves an integrated mining and processing operation to produce a range of silica products, principally frac sand for consumption in the Western Canadian oil and gas industry. The Moberly deposit was mined from the early 1980s to 2009 for silica processed to silica sand for glass making, golf course sand and similar products. Heemskirk is currently redeveloping Moberly via construction of a new processing plant facility and upgrading of ancillary infrastructure. Once development has been completed Moberly is expected to have saleable frac sand production capacity of approximately 300,000 tonnes per annum.

Heemskirk also retains 2.864 million shares¹ in tungsten producer, Almonty Industries Inc.. Almonty Industries Inc. is listed on the Toronto Stock Exchange with Heemskirk's position currently valued at approximately C\$0.83 million.²

Heemskirk maintains its principal office in Melbourne, Australia along with a regional administrative office in Calgary, Canada.

4.3 OVERVIEW OF HEEMSKIRK MANAGEMENT AND DIRECTORS

Directors

Mr Garry Cameron (Non-Executive Chairman)
Mr Peter McKenna (Non-Executive Director)
Mr John Taylor (Non-Executive Director)

Management & Other

Mr Mark Connors (Acting Chief Executive Officer)
Ms Trish Hally (Company Secretary)

1. As per Heemskirk Quarterly Report for quarter ending 31 December 2016.

2. Based on Almonty Industries share price of C\$0.29 as at 1 March 2017

4 INFORMATION ON HEEMSKIRK CONTINUED

4.4 FRAC SAND INDUSTRY OVERVIEW

Frac sand is used in the unconventional oil and gas industry. To enable reservoirs to flow more freely, fracture networks are artificially created in the rocks by first pumping fluid at high pressure into the well. This stimulates the opening of fractures (“fracing”) and may be done over several intervals down a well, each called a stage. To help prevent fractures closing after pressure is released, suitably sized and strong “proppants” are injected into the fractures with the aid of a carrier fluid.

Proppants are sourced into three product types – silica sand, resin coated and ceramic. The North American market overwhelmingly consists of the sand variety as it is the least expensive and provides good performance. It is common to use a mix of proppant product types depending on well characteristics and desired performance.

Frac sand consumption has risen over the last decade as oil and gas exploration and development has focussed on unconventional reservoirs including shales via horizontal drilling.

To be effective, the sand grain proppant must be of a size appropriate to the fracture network and must be as spherical as possible to promote penetration and be strong enough to avoid crushing. Roundness is important as angular elements may spall off under pressure creating fines which may block the fractures. The key technical specifications for frac sand are summarised below:

Table 1: Frac Sand Technical Specifications

Criteria	Measurement
Size Fraction	Measured in mesh sizes with typical size fractions 20/40 (meaning a particle size between 20 and 40 mesh, or 0.84mm to 0.40mm), 40/70 mesh and 70/140 mesh
Roundness / Sphericity	Measured on standard scales from 0 (least) to 1 (perfectly round/spherical) with acceptable figures beginning around 0.6
Compressive Strength / Crush	Measured at incremental crush pressures until the amount of find which are generated are greater than 10% by weight. Proppant which generates 8% fines at 6,000 PSI and 12% at 7,000 PSI will be known as 6,000 (or “K Value”) product
Conductivity	Measured as the permeability of a fluid through a thickness of sand sample which is under a certain compressive strength over a set period of time, per foot at a certain temperature.

Once commissioned, it is expected that Moberly production will be sold to participants in the Western Canadian Sedimentary Basin (“WCSB”). The WCSB contains a number of unconventional oil and gas projects with the majority of current activity targeting the Montney and Duvernay geological formations. A number of large exploration and production companies have operations in the Montney and Duvernay formations including Petronas, EnCana, ExxonMobil, Seven Generations, ConocoPhillips and Shell as well as many smaller operators. Saleable frac sand will be transported approximately 850kms from Moberly to customers in the WCSB via a combination of rail and truck transportation.

Demand for frac sand in the WCSB is seasonal with drilling typically stopping over spring as ice melts and ground transport becomes problematic. Conversely drilling activity peaks over winter months with frozen ground making equipment and supply transportation easier.

Frac sand is sold on both an ex-mine and delivered basis with delivery typically to a centralised services centre where proppants are stockpiled before being dispatched by truck to particular customer well site locations.

There is no benchmark reference price for frac sand products and pricing is negotiated on a bilateral basis.

4 INFORMATION ON HEEMSKIRK CONTINUED

4.5 MOBERLY STAGE 1

Project Overview

The Moberly Project involves the development of an integrated mining and processing operation to produce a range of frac sand products. Campaign mining will be undertaken with ROM sand hauled 16km to a newly constructed processing and load-out facility. This facility will replace an existing processing plant previously operated by Heemskirk.

The Moberly plant site lies on freehold land adjacent to the Trans-Canada Highway and Canadian Pacific Railroad. It is bounded by the Blaeberry River. The plant site is located 8km from the regional town of Golden, British Columbia.

Figure 1: Location of Moberly Project³



3. Source: Heemskirk ASX announcement dated 14 October 2014 – *Heemskirk to break ground at Moberly Frac Sand Project*

4 INFORMATION ON HEEMSKIRK CONTINUED

Geology

Geology of the Moberly deposit comprises a single quartzite unit (Ordovician Mount Wilson Quartzite). The quartzite unit is approximately 300m thick and has been exposed over a strike length of approximately 800m. The deposit has been historically mined over approximately 200m vertical elevation, approximately 200m width and approximately 600m along strike with no material discontinuity or variation. The composition of the rock is greater than 99% silicon dioxide as quartz, with the remainder being silicate clays and very rare other silicate minerals.

Heemskirk estimated the following mineral reserves and resources of in-situ silica suitable for frac sand as at 30 September 2016:

Table 2: Moberly Mineral Reserve and Resource Estimate³

Reserves		Resources	
Proved	9.3 Mt	Measured	12.5 Mt
Probable	4.6 Mt	Indicated	25.0 Mt
Total Proved & Probable	13.9 Mt	Total Measured & Indicated	37.5 Mt

Mining Operations

Moberly has been historically mined since 1981 with production varying between 80kt and 120kt per annum. The mine site lies on the flanks of Mt Moberly in a relatively isolated area surrounded by commercial woodlots.

Heemskirk intends that mining operations will be undertaken by a contractor. No overburden removal is required and the quartzite material requires minimal blasting. A permitted mine design has been prepared for 400 kilo tonnes per annum operation over 35 years. Excavated ore will be hauled to a stockpile area at the top of the haul road. Heemskirk intends that mining will be limited to spring/summer months each year.⁵

The mine site is accessed via an approximately 3km haul road which joins onto an approximately 1.5km stretch of public gravel road. This in turn connects to the sealed Upper Donald Road, which connects to the Trans-Canada Highway.⁶

Processing Operations

Design work for a new dedicated frac sand processing plant commenced in 2010. Initial investigation focussed on the use of a "turnkey" type plant by US equipment suppliers active in Wisconsin but this approach was deemed to be unsuitable for Moberly. As a result Heemskirk initiated its own design process with design and engineering work undertaken by a variety of consultants.

The resulting process flow sheet design comprises four main sections:

- ROM stack, reclaim and crush;
- wet classification, polishing and waste rejection;
- drying, screening and dust collection; and
- storage and load-out.

4. Source: Heemskirk ASX announcement dated 23 November 2016 – *Heemskirk 2016 Mineral Resources and Ore Reserves Statement*

5. Heemskirk ASX announcement dated 23 November 2016 – *Heemskirk 2016 Mineral Resources and Ore Reserves Statement*

6. Source: Heemskirk ASX announcement dated 14 October 2014 – *Heemskirk to break ground at Moberly Frac Sand Project*

4 INFORMATION ON HEEMSKIRK CONTINUED

Base case projections for Moberly Stage 1 assume a 68% yield to American Petroleum Institute (“API”) standard frac sand products. The balance of output will comprise non-API standard silica material (“Residual Silica”) with a small amount of waste material.⁷

4.6 MOBERLY SALES & MARKETING STATUS

Moberly frac sand has been assessed by two independent companies who verified that it meets API standards.⁸ Heemskirk intends to sell Moberly frac sand production under the brand “Mount Moberly White”.

At this point in time Heemskirk has not secured any firm off-take contracts for Moberly production. All future sales will be subject to Heemskirk entering into off-take contracts.

It is also understood that Heemskirk will seek to sell Residual Silica production to other industrial users. No off-take contracts are currently in place for the sale of Residual Silica. If Residual Silica production cannot be sold Heemskirk will be required to store it at the Moberly site.

4.7 FUTURE EXPANSION

Heemskirk recently engaged its engineering contractor, Morrison Hershfield, to review the expansion potential of Moberly. The results of that engagement were announced in Heemskirk’s quarterly report for the period ending 31 December 2016. In brief the report describes Morrison Hershfield’s preliminary estimate of the costs necessary to double the capacity of the Moberly Project from anticipated capacity at the completion of Moberly Stage 1. The report states that the cost for capital for an expansion would be approximately C\$18 million. This includes mine road upgrade and extension, 15% for permitting and fees and 15% buffer for contingency costs but excludes feasibility study and engineering costs, working capital and financing costs. The report goes on to state that current expectations are that expansion could be underway in 2018 and complete in 2019.

The Bidder has the following concerns with the conclusions on the Morrison Hershfield described in the quarterly report:

- the forecast production and capital estimate has been arrived at without the completion of an appropriate technical evaluation and design process and the production performance of the Moberly Stage 1 processing plant is yet to be established;
- the 15% contingency appears to be inappropriately low given the early stage of technical evaluation and design;
- the timeframe for completion of the expansion might be difficult to achieve given the current stage of technical evaluation and additional permitting requirements with no disclosure on what additional permits will be required;
- estimated incremental production volumes are not supported by any off-take agreements or customer commitments;
- customer preferences for product type and logistics arrangements have not been accounted for; and
- absent of raising additional equity, Heemskirk does not have funding available to commission a feasibility study which is described as the next step to support its development timeline.

The Bidder will undertake its own review of Moberly’s expansion potential upon successful delivery of Moberly Stage 1. This review will follow a methodical technical evaluation and design process in accordance with industry best practice. The Bidder expects this process will take longer than the development timeline presented by Heemskirk.

7. Heemskirk ASX announcement dated 23 February 2017 – *Heemskirk Consolidated Limited Annual General Meeting* and Heemskirk ASX announcement dated 23 November 2016 – *Heemskirk 2016 Mineral Resources and Ore Reserves Statement*

8. Heemskirk ASX announcement dated 23 February 2017 – *Heemskirk Consolidated Limited Annual General Meeting* and Heemskirk ASX announcement dated 23 November 2016 – *Heemskirk 2016 Mineral Resources and Ore Reserves Statement*

4 INFORMATION ON HEEMSKIRK CONTINUED

4.8 OVERVIEW OF HEEMSKIRK FINANCE FACILITIES

Senior Facility Agreement

On 15 July 2015 Taurus Funds (as trustee for the T2 Trust and general partner of T2 LP) entered into the Senior Facility Agreement and on 10 February 2016, this was novated to Taurus BV. Pursuant to the Senior Facility Agreement, Taurus BV has agreed to provide a US\$40 million secured loan to HCA Mountain Minerals (Moberly) Limited. The Senior Facility Agreement was amended via:

- (a) a novation and amendment deed dated 10 February 2016;
- (b) a waiver and consent request dated 21 December 2016; and
- (c) a waiver and consent request dated 9 February 2017.

The Senior Facility Agreement is broken into two tranches:

- (a) Tranche 1: US\$25 million to complete Moberly Stage 1 ("**Tranche 1**"); and
- (b) Tranche 2: US\$15 million to undertake a potential future expansion of Moberly once Moberly Stage 1 has been successfully completed ("**Tranche 2**").

To date, US\$20 million of Tranche 1 has been provided to the Borrower. Key terms of Tranche 1 of the Senior Facility Agreement include:

Senior Facility Agreement – Tranche 1 Summary Terms and Conditions

Borrower	HCA Mountain Minerals (Moberly) Limited
Guarantors	Heemskirk Consolidated Limited, Heemskirk Canada Holdings Limited and Heemskirk Canada Limited (the " Guarantors ")
Lender	Taurus Resources Fund No. 2 B.V.
Obligors	The Borrower and the Guarantors
Facility Amount	US\$25 million (the " Facility Amount ")
Maturity Date	31 August 2020
Interest Rate	10.0% per annum Interest rate shall increase to 12.5% per annum if the Moberly Stage 1 completion test has not been achieved prior to 30 June 2017.
Interest Payment	Interest to be paid quarterly in arrears. Interest to be capitalized prior to satisfaction of the Moberly Stage 1 completion test
Commitment Fee	2.0% per annum on undrawn amounts
Options	Lender to be granted 17.5 million Heemskirk options: <ul style="list-style-type: none">• strike price equal to a 25% premium to Heemskirk's 10 day VWAP prior to the date of signing the Facility Agreement (A\$0.0878)• exercisable at any time within five years from the date of signing the Facility Agreement (15 July 2020)• 50% of options issued on the date of signing the Facility Agreement• 50% of options issued on a pro-rata basis for amounts drawn in US\$5 million increments

4 INFORMATION ON HEEMSKIRK CONTINUED

Senior Facility Agreement – Tranche 1 Summary Terms and Conditions (continued)

Moberly Royalty	Lender granted a royalty equal to 2% of free on train Moberly gross revenue (mine gate revenue) over the entire life of the Moberly Project
Repayment Terms	<p>Repayment schedule comprising:</p> <ul style="list-style-type: none"> (i) quarterly repayment amounts commencing 30 November 2017 equal to the greater of: <ul style="list-style-type: none"> (a) scheduled repayments (summarised below); or (b) 70% of net project cashflow over the corresponding quarter (ii) bullet repayment for remaining facility amount outstanding at the maturity date
Scheduled Repayments	<ul style="list-style-type: none"> • 30 November 2017: US\$500,000 • 28 February 2018: US\$250,000 • 31 May 2018: US\$1,400,000 • 31 August 2018: US\$1,400,000 • 30 November 2018: US\$500,000 • 28 February 2019: US\$250,000 • 31 May 2019: US\$1,400,000 • 31 August 2019: US\$1,400,000 • 30 November 2019: US\$500,000 • 29 February 2020: US\$250,000 • 31 May 2020: US\$1,400,000 • 31 August 2020: US\$1,400,000
Security	Secured over the assets of the Guarantors (other than Heemskirk)
Financial Covenants	<p>Lock-up ratios</p> <ul style="list-style-type: none"> • Project Life Cover Ratio – less than 1.5:1 • Debt Service Cover Ratio – less than 1.35:1 <p>Default Ratios</p> <ul style="list-style-type: none"> • Project Life Cover Ratio – less than 1.3:1 • Debt Service Cover Ratio – less than 1.1:1 <p>For the purpose of this section:</p> <p>“Project Life Cover Ratio” means the NPV of Cash Flow Available for Debt Service over five years discounted at 10% per annum divided by the amount outstanding under the Facility.</p> <p>“Debt Service Coverage Ratio” means Cash Flow Available for Debt Service over a 6 month period divided by the debt service (interest, fees and any scheduled principal repayments under the Facility) over that same 6 months.</p> <p>“Cash Flow Available for Debt Service” means the total revenues of the Borrower less cash operating costs, maintaining capital, lease payments, budgeted exploration, royalties, fees, government charges and taxes.</p>

4 INFORMATION ON HEEMSKIRK CONTINUED

Senior Facility Agreement – Tranche 1 Summary Terms and Conditions (continued)

Dividends and Other Distributions	Dividends and other distributions may be paid if: <ul style="list-style-type: none">• 70% of the Facility Amount has been repaid;• the financial covenants are met;• there is no outstanding event of default; and• the Moberly Stage 1 completion test is achieved.
Moberly Stage 1 – completion test	Achievement of a series of pre-determined mechanical and economical tests agreed between the borrower and the lender based upon the Moberly feasibility study confirming that Moberly Stage 1 is, over a period of 90 consecutive days, operating within an agreed threshold of forecast production, cost and other operating parameters and is projected to be in compliance with the financial ratios. In addition, the debt service reserve account will be fully funded and no event of default will have occurred and be continuing.
Negative Pledge	Applies to the Obligor: <ul style="list-style-type: none">• No pledging of any assets as security, unless a permitted security interest;• No disposal of assets in excess of US\$500,000 whether as single transaction or a series of transactions without the prior consent of the Lender;• Borrower may not incur any further financial indebtedness other than permitted financial indebtedness. Permitted financial indebtedness includes:<ul style="list-style-type: none">– indebtedness where recourse is limited to the asset being acquired; or– any financing put in place to repay all drawings under the Senior Facility Agreement.
Debt Service Reserve Account	A debt service reserve account to be established. To contain a minimum of US\$3 million at completion of Moberly Stage 1.
Events of Default	<ul style="list-style-type: none">• Non-payment;• Misrepresentation;• Insolvency;• Material adverse effect;• Review event upon change of control;• Failure to achieve a Moberly Stage 1 completion test prior to 31 October 2017; and• Business cessation.

The availability of Tranche 2 under the Senior Facility Agreement is subject to the satisfaction of various conditions including completion of a detailed engineering design for Moberly Stage 2 arrangement of off-take contracts to support additional production, permitting and the availability of full funding to achieve project completion of Moberly Stage 2. The Bidder is unable to provide a view on when these conditions will be capable of being satisfied.

4 INFORMATION ON HEEMSKIRK CONTINUED

Overview of Heemskirk Unsecured Working Capital Facility

On 9 February 2017 Taurus entered into a term sheet for a C\$10 million Unsecured Working Capital Facility with HCA Mountain Minerals (Moberly) Limited (the “**Taurus Working Capital Facility**”).

The Taurus Working Capital Facility remains subject to entry into binding contractual documentation and satisfaction of conditions precedent. Accordingly no drawdown has occurred under the facility.

One of the conditions precedent is the Offer being unconditional. Accordingly, unless the Bidder waives the conditions, the Taurus Working Capital Facility will not be available until all of the Conditions are satisfied. This includes the 90% minimum acceptance condition. As set out in Section 5.2, the Bidder intends to refinance the Taurus Working Capital Facility by undertaking a capital raising.

Key terms of Taurus Working Capital Facility include:

Taurus Working Capital Facility – Summary Terms and Conditions

Borrower	HCA Mountain Minerals (Moberly) Limited
Lender	Taurus BV
Facility Amount	C\$10 million (excluding capitalised arranging fee, commitment fees and interest) (“ WCF Facility Amount ”)
Maturity Date	31 March 2018, or an earlier date should full repayment of the WCF Facility Amount and all outstanding fees and interest occur sooner
Principal Repayment Terms	Bullet repayment at maturity date. No penalty for early repayment
Availability Period	Available for drawdown prior to 31st December 2017. WCF Facility Amount not available for re-draw once repaid.
Security Providers	WCF Facility Amount to be unsecured
Use of Funds	<ul style="list-style-type: none">• working capital; and• debt servicing required under the Senior Facility Agreement.
Arranging Fee	2.00% of WCF Facility Amount to be paid in Bidder Shares at the maturity date.
Commitment Fee	2.00% per annum on undrawn amounts during the availability period to be paid in Bidder Shares at the maturity date.
Interest Rate	A margin of 2.50% per annum to be applied to the Interest Rate applicable in the Senior Facility Agreement. Interest to apply to drawn amounts and be paid in Parent Company Shares at maturity date. Interest to be calculated monthly in arrears.
Parent Company Shares	Taurus BV to be granted ordinary shares in the Bidder equal to a value of C\$0.075 per share.

4 INFORMATION ON HEEMSKIRK CONTINUED

Taurus Working Capital Facility – Summary Terms and Conditions (continued)

Conditions Precedent	Usual for a facility of this nature but to include without limitation: <ul style="list-style-type: none">• Execution and delivery of the finance documents;• Receipt of legal opinions in a form satisfactory to Taurus BV;• Certified copies of all necessary documents and powers of attorneys to enter into the finance documents;• Requirements are satisfied in relation to client identification and anti-money laundering for the Borrower;• Verification certificates are provided for the Borrower in the form agreed with attachments referred to therein including board resolutions, constitutional documents, director's certificate, certifying that the documents delivered are true and correct copies;• The Borrower obtaining all necessary regulatory approvals in connection with the working capital facility to the satisfaction of the Taurus BV, from any relevant authorities in any relevant jurisdictions; and• The Bidder declares the Offer free from all conditions.
Undertakings	Usual for a facility of this nature to include: <ul style="list-style-type: none">• Negative pledge; and• No further indebtedness
Events of Default	Usual for a working capital facility of this nature and to include (without limitation but having regard for materiality): <ul style="list-style-type: none">• Non-payment;• Misrepresentation;• Insolvency;• Material adverse event;• Change of control in the Borrower other than completion of the Offer by the Bidder;• Breach of undertaking;• Breach of representation and warranty; and• Business cessation.

4 INFORMATION ON HEEMSKIRK CONTINUED

4.9 HISTORICAL FINANCIAL INFORMATION ON THE HEEMSKIRK GROUP

Heemskirk's last published audited financial statements are for its financial year end 30 September 2016. Those statements (as extracted from Heemskirk's accounts) follow. These are extracts of the accounts only and do not include all information or notes required to be included. Heemskirk Shareholders should refer to the full financial statements lodged with ASX for further information.

Heemskirk Profit and Loss Statement

Heemskirk Statement of comprehensive income C\$'000	Year ended 30 September 2014 Audited	Year ended 30 September 2015 Audited	Year ended 30 September 2016 Audited
Revenue	705	224	317
Cost of sales	(1,146)	(52)	–
Gross profit / (loss)	(441)	172	317
Loss on sale of investments	(220)	(48)	(1,694)
Fair value gain / (loss) on equity investments	(1,929)	(519)	13
Net loss on equity investments	(2,150)	(567)	(1,681)
Other income	429	84	1,167
Total other expenses	(1,721)	(483)	(514)
Depreciation expense	(399)	(331)	(425)
Employee benefits expense	(1,282)	(2,195)	(2,241)
Corporate costs	(544)	(1,072)	(876)
Consultants and advisory expense	(519)	(1,079)	(755)
Finance costs	(455)	(285)	(187)
Impairment expense	(11)	(22)	(164)
Loss before income tax	(5,372)	(5,295)	(4,845)
Income tax	2	51	25
Loss after income tax	(5,370)	(5,244)	(4,820)
Profit from discontinued operations	2,991	–	–
Loss after income tax	(2,379)	(5,244)	(4,820)
<i>Other comprehensive income</i>			
Gain / (loss) on foreign currency translation	(312)	502	(1,098)
Asset revaluation	(453)	–	–
Other comprehensive income / (loss) for the period	(765)	502	(1,098)
Total comprehensive income / (loss)	(3,144)	(4,742)	(5,918)

4 INFORMATION ON HEEMSKIRK CONTINUED

Heemskirk Balance Sheet

Heemskirk Statement of financial position C\$'000	As at 30 September 2014 Audited	As at 30 September 2015 Audited	As at 30 September 2016 Audited
Current assets			
Cash and cash equivalents	12,101	5,974	13,305
Trade and other receivables	388	263	327
Inventories	1,397	1,398	2,116
Other financial assets	4,226	3,402	894
Derivative financial asset	–	–	976
Other current assets	256	236	97
Total current assets	18,368	11,273	17,715
Non-current assets			
Property, plant and equipment	1,986	4,380	4,835
Mine development	5,430	7,461	22,587
Deferred tax assets	2	7	18
Other non-current assets	–	1,974	–
Total non-current assets	7,418	13,822	27,440
Total assets	25,786	25,095	45,155
Current liabilities			
Trade and other payables	707	957	4,224
Interest bearing liabilities	2,776	19	908
Provisions	1,048	286	152
Total current liabilities	4,531	1,262	5,284
Non-current liabilities			
Deferred tax liabilities	58	63	40
Interest bearing liabilities	–	65	11,916
Provisions	35	40	298
Total non-current liabilities	93	168	12,254
Total liabilities	4,624	1,430	17,538
Net assets	21,162	23,665	27,617
Equity			
Contributed equity	81,184	87,836	97,532
Reserves	889	1,984	1,060
Retained earnings / (losses)	(60,911)	(66,155)	(70,975)
Total equity	21,162	23,665	27,617

4 INFORMATION ON HEEMSKIRK CONTINUED

Heemskirk Cash Flow Statement

Heemskirk Statement of cash flows C\$'000	Year ended 30 September 2014 Audited	Year ended 30 September 2015 Audited	Year ended 30 September 2016 Audited
Operating activities			
Receipts from customers	20,581	327	188
Payments to suppliers and employees	(23,103)	(4,291)	(4,754)
Interest received	234	107	131
Income tax received / (tax)	(200)	(784)	12
Finance costs paid	(467)	(313)	–
Net cash flows used in operating activities	(2,955)	(4,954)	(4,423)
Investing activities			
Cash deposit for bank guarantees	3	82	–
Proceeds from the sale of equity investments	61	176	826
Proceeds from the sale of property, plant & equipment	9,083	30	35
Purchases of property, plant & equipment	(173)	(2,590)	(87)
Mine development expenditure	(535)	(1,397)	(11,768)
Dividends received	126	–	–
Net cash flows used in investing activities	8,565	(3,699)	(10,994)
Financing activities			
Proceeds from issue of share capital, net of transaction costs	–	5,575	9,696
Proceeds / (repayment) of borrowings	(2,285)	–	13,224
Convertible notes redemption	–	(2,739)	–
Finance leases	–	–	(144)
Borrowing costs paid	–	(414)	(207)
Net cash flows from financing activities	(2,285)	2,422	22,569
Net increase / (decrease) in cash and cash equivalents	3,325	(6,231)	7,152
Cash and cash equivalents at beginning of year	8,502	12,101	5,974
Net foreign exchange differences	274	104	179
Cash and cash equivalents at end of year	12,101	5,974	13,305

4.10 PUBLICLY AVAILABLE INFORMATION

Heemskirk is a company listed on ASX and is therefore subject to the periodic and continuous disclosure requirements of the Corporations Act and ASX Listing Rules. As such, Heemskirk is required to lodge various documents with ASX and ASIC.

4 INFORMATION ON HEEMSKIRK CONTINUED

Heemskirk's annual report for the year ended 30 September 2016 was given to ASX on 17 January 2017. Since 30 September 2016, Heemskirk has made a number of announcements to ASX that may be relevant to its financial position. A copy of each of these announcements, including Heemskirk's financial report, may be obtained from ASX.

In addition, the Corporations Act requires the Heemskirk Directors to provide a Target's Statement to Heemskirk Shareholders, setting out certain material information regarding Heemskirk.

4.11 HEEMSKIRK CAPITAL STRUCTURE

According to documents lodged by Heemskirk with ASX and ASIC, the total number of securities on issue in each class in Heemskirk as at the date of this Bidder's Statement is as follows:

Share Class	Number of shares in issue	Amount paid up on those shares
Ordinary shares [^]	562,635,912	Fully paid
Reserved shares	1,461,808	Fully paid
Class A \$0.25 ordinary shares	100,000	1 cent paid up, 24 cents unpaid
Class B \$0.50 ordinary shares	1,500,000	1 cent paid up, 49 cents unpaid
Total	565,697,720	

[^]Heemskirk ordinary shares are quoted on ASX and may be freely traded.

4.12 SUBSTANTIAL SHAREHOLDERS (OTHER THAN THE BIDDER GROUP) AND ITS ASSOCIATES

Shareholder	Last notice	Number of Heemskirk shares	Voting power (%)
First Samuel Limited	29 January 2016	195,069,619	34.68%
MMS1 Pty Ltd ATF Shall & Hall Partnership	6 March 2017	37,210,699	6.61%

4.13 RECENT SHARE PERFORMANCE OF HEEMSKIRK

The last recorded price of Heemskirk Shares on ASX before Heemskirk confirmed to the market that it had received an indicative proposal was \$0.050 on 21 December 2016.

The last recorded price of Heemskirk Shares on 10 March 2017 (being the last practicable date before this Bidder's Statement was printed) was \$0.08.

4 INFORMATION ON HEEMSKIRK CONTINUED

The closing prices of Heemskirk Shares on the ASX over the 12 months prior to the date of this Bidder's Statement are shown in the chart below:



4.14 DETAILS OF VOTING POWER AND RELEVANT INTEREST IN HEEMSKIRK

The Bidder Group holds voting power in 32.78% of Heemskirk Shares and a relevant interest in 30.73% of Heemskirk Shares.⁹

In addition, the Bidder Group also holds 6,304,860 options to acquire securities in Heemskirk.

4.15 DIVIDENDS

Heemskirk has not paid a dividend to Heemskirk Shareholders since 2008.

4.16 CONSIDERATION PROVIDED FOR HEEMSKIRK SECURITIES DURING PREVIOUS FOUR MONTHS

The Bidder and its associates have not acquired or disposed of (or agreed to acquire or dispose of) Heemskirk Shares during the period of four months including on the day immediately before the date of the Offer.

4.17 NO COLLATERAL BENEFITS

Neither the Bidder nor any of its associates has in the four months before the date of this Bidder's Statement or in the period between the date of this Bidder's Statement and the date of the Offer, given, offered or agreed to give a benefit which is not being offered to all Heemskirk Shareholders under the Offer to another person which was likely to induce the other person (or an associate) to accept the Offer or dispose of Heemskirk Shares.

9. This figure includes voting power held by, or on behalf of, another fund who is managed by the same entity which manages the T2 Fund.

5 THE BIDDER'S INTENTIONS

5.1 GENERAL

This section 5 sets out the Bidder's intentions, in relation to:

- (a) the continuation of Heemskirk's business and assets;
- (b) any major changes to be made to the business of Heemskirk, including any redeployment of the assets of Heemskirk; and
- (c) the future employment of the present employees of Heemskirk.

These intentions are based on the information concerning Heemskirk, its business and the general business environment which is known to the Bidder at the time of preparation of this Bidder's Statement.

The Bidder does not currently have full knowledge of all material information, facts and circumstances that are necessary to assess the operational, commercial, tax and financial implications of its current intentions. Final decisions regarding these matters will only be made by the Bidder in light of material information and circumstances at the relevant time. Accordingly, the statements set out in this section 5 are statements of current intent only, which may change as new information becomes available to the Bidder or as circumstances change.

5.2 INTENTIONS UPON ACQUISITION OF 90% OR MORE OF HEEMSKIRK SHARES

This section sets out the Bidder's current intentions if it acquires 90% or more of the Heemskirk Shares and is entitled to proceed to compulsory acquisition of the outstanding Heemskirk Shares.

(a) Compulsory acquisition

If it becomes entitled to do so under the Corporations Act, the Bidder intends to give notices to compulsorily acquire any outstanding Heemskirk Shares in accordance with section 661B of the Corporations Act.

(b) Directors

The Bidder intends to replace all members of the Heemskirk Board with its own nominees.

(c) ASX Listing

At the conclusion of the compulsory acquisition process, the Bidder intends to arrange for Heemskirk to be removed from the official list of the ASX.

(d) Head office

After the end of the Offer Period, the Bidder intends to undertake an orderly transfer of Heemskirk's corporate functions from Melbourne to Calgary. This will involve the closure of Heemskirk's Melbourne office with all corporate roles to be located in Calgary.

(e) Operations and assets

The Bidder's intention is to continue the operation of Heemskirk's existing business and in particular to focus on the ongoing development of the Moberly Project. The Bidder's primary focus will be on ensuring that:

- all Moberly site activities are undertaken in accordance with all operating permits, licences and regulations and in-line with industry best practise environmental, social and governance standards;
- remaining Moberly construction activities are completed in accordance with the current schedule and on-budget;
- detailed plans are developed to cover Moberly commissioning once construction has been completed;
- relevant personnel are hired to manage Moberly commissioning;
- Moberly consistently performs in-line with its forecast operating parameters once commissioned;

5 THE BIDDER'S INTENTIONS CONTINUED

- discussions with prospective off-take counter parties continue; and
- appropriate corporate arrangements are established in Calgary to support Moberly site based activities.

The Bidder will, after the end of the Offer Period and in the ordinary course of managing its existing business, conduct a general review of the operations, assets, appropriate capital structure and employees.

The Bidder intends to utilise the Taurus Working Capital Facility to cover working capital needs required to achieve completion of Moberly Stage 1 development, including but not limited to:

- additional capital costs;
- operating costs during commissioning;
- funding required to support a build-up of finished product inventory that may be required to support Moberly off-take arrangements;
- funding required to support Moberly logistics arrangements;
- general corporate costs; and
- debt servicing requirements under the Taurus Senior Facility.

Taking into account these potential funding requirements and based on the Bidder's current understanding of Moberly Stage 1 development, the Bidder expects that up to C\$10 million of additional funding from the Taurus Working Capital Facility will be required. The amount of additional funding required will ultimately be a function of the outcome of remaining construction activity, commissioning performance and arrangement of formal off-take contracts. The following key assumptions have been used by the Bidder to derive its estimate of approximately C\$10 million of additional funding being required for Moberly Stage 1 development:

- construction completion by 30 June 2017;
- staggered commissioning commencing July 2017;
- ramp-up to nameplate production of 300,000 tonnes per annum prior to 31 October 2017;
- working capital build-up to support anticipated off-take arrangements; and
- debt servicing requirements under the Senior Facility Agreement (summarised in Section 4.8)

The Bidder intends to undertake a refinancing of the Taurus Working Capital Facility once Moberly Stage 1 has reached steady-state production and sustainably positive cash flow generation. The Bidder currently intends for a refinancing of the Taurus Working Capital Facility to be undertaken via a rights issue by the Bidder. Any Bidder rights issue will be done in accordance with the framework contained in the Bidder's Articles, the Unanimous Shareholders Agreement and applicable law.

(f) **Employees**

Following the end of the Offer Period and consistent with the above intentions, it is intended that the Bidder will conduct a broad based review of the employment and roles of all of Heemskirk's employees.

As a result of its review, the Bidder may identify positions which will not be required by the Combined Group, including positions related to Heemskirk's Melbourne based corporate functions. It is therefore likely that job losses will result from this review. If redundancies do occur, the relevant employees will receive contractual or other legal entitlements they are entitled to receive.

The Bidder does not intend to make significant changes to Heemskirk's Calgary based management team. The Bidder intends to appoint Mr Mark Connors to act as President and CEO of the Bidder upon completion of the Offer. Mr Mark Connors currently serves as acting Chief Executive Officer of Heemskirk and President of Heemskirk Canada Limited. This appointment is subject to completion of the Offer and finalisation of an employment contract on usual commercial terms.

5 THE BIDDER'S INTENTIONS CONTINUED

The Bidder intends to make two key appointments to Heemskirk's Calgary team to augment its current operations:

- Chief Financial Officer; and
- Chief Operating Officer.

The Bidder has appointed a global recruitment firm to assist with a search to fill these roles. The Bidder intends to ensure that any Chief Operating Officer appointment includes an individual with a dedicated background in minerals processing engineering.

(g) Debt Facilities

The Bidder intends that the Senior Facility Agreement will continue after completion of the Offer and will seek all necessary consents and waivers required under the Senior Facility Agreement in order to complete the Offer.

Further, the Bidder will obtain all necessary consents and waivers from the lender in order to accede to the Senior Facility Agreement as a guarantor.

5.3 INTENTIONS UPON ACQUISITION OF LESS THAN 90% BUT GREATER THAN 50.1% OF HEEMSKIRK SHARES

This section sets out the Bidder's intentions if it were to declare the Offer free from the 90% minimum acceptance condition so that Heemskirk would become a partly-owned entity without becoming entitled to compulsorily acquire the outstanding Heemskirk Shares but, by virtue of acceptance of the Offer, the Bidder were to gain effective control of Heemskirk. The Bidder reserves its right to declare the Offer free of the 90% minimum acceptance condition (or any other condition to the Offer), although it has no present intention to do so.

In these circumstances, the Bidder Group intends:

- (a) that Heemskirk's business will continue substantially in its current form;
- (b) to seek to implement the intentions set out in section 5.2 to the extent possible;
- (c) to continue to deal with its stake in Heemskirk with a view to maximising returns for the Bidder Group; and
- (d) to apply for removal of Heemskirk from the ASX if it is able to do so consistently with ASX guidance.

5.4 INTENTIONS UPON ACQUIRING LESS THAN 50.1% OF HEEMSKIRK SHARES

If the Bidder waives its 90% minimum acceptance condition and acquires less than 50.1% of Heemskirk Shares, the Heemskirk Shares acquired by the Bidder will become an investment of the Bidder which would be reviewed by the Bidder in accordance with its usual investment policies.

5.5 INTENTIONS GENERALLY

Except for the changes and intentions set out in this section 5, the Bidder intends, based on the information presently known to it:

- (a) to continue the business of Heemskirk;
- (b) not to make any major changes to the business of Heemskirk or the deployment of Heemskirk's assets; and
- (c) to continue the employment of Heemskirk's employees.

5 THE BIDDER'S INTENTIONS CONTINUED

5.6 LIMITATIONS ON INTENTIONS

The intentions and statements of future conduct set out in this section 5 must be read as being subject to:

- (a) the law (including the Corporations Act) and the ASX Listing Rules, including in particular the requirements of the Corporations Act and the ASX Listing Rules in relation to conflicts of interest and “related party” transactions given that if the Bidder obtains control of Heemskirk but does not acquire all of the Heemskirk shares it will be treated as a related party of Heemskirk for these purposes; and
- (b) the legal obligations of the Heemskirk Directors at the time, including any nominees of the Bidder to act in good faith in the best interests of Heemskirk Shareholders and for proper purposes and to have regard to the interests of all Heemskirk Shareholders.

Accordingly, this section 5 must be read and understood on this basis.

6

PROFILE OF THE COMBINED GROUP

6.1 INTRODUCTION

In preparing pro forma financial information on the Combined Group, financial information regarding Heemskirk was required. For the purposes of this Bidder's Statement, that information has been sourced from publicly available financial information in relation to Heemskirk which has been released to the ASX. Full copies of the financial reports from which the information contained in this section has been extracted are available on Heemskirk's website or the ASX.

Financial information in relation to the Bidder is unaudited and pro forma as the Bidder is a special purpose vehicle which was created after the date of the pro forma financial information for the purposes of this transaction.

The Bidder Directors are responsible for the preparation and presentation of the pro forma financial information which should be read in conjunction with the investment risks set out in section 9 and other information set out in this Bidder's Statement.

The unaudited pro forma financial information presented below is not necessarily indicative of the financial performance or position that would have been achieved if the transaction had been completed on the dates or for the periods presented, nor does it purport to project the results of operations or the financial position of the Combined Group for any future period or as of any future date.

The unaudited pro forma consolidated financial information has been prepared on the basis that the acquisition of Heemskirk by the Bidder is treated as a reverse acquisition under International Financial Reporting Standards (IFRS).

The pro forma financial information has been presented in an abbreviated form. As a result, the pro forma financial information has not been prepared in accordance with the Corporations Act and does not contain the disclosures required by Australian Accounting Standards when presenting Financial Statements.

The Bidder does not make any representation or warranty, express or implied, as to the accuracy or completeness of that information. Heemskirk may release updated financial information in any Heemskirk's statement which is sent to Heemskirk Shareholders.

6.2 PRO-FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION

The unaudited pro forma consolidated statement of financial position of the Combined Group presented below has been prepared in connection with the proposed acquisition of Heemskirk by the Bidder. The unaudited pro forma consolidated statement of financial position has been prepared for illustrative purposes only and gives effect to the acquisition by the Bidder pursuant to the assumptions described in this section 6 and gives effect to the transaction as if it had occurred as of 30 September 2016.

In preparing the Combined Group unaudited pro forma consolidated statement of financial position the following information was used:

- (a) Heemskirk's audited consolidated statement of financial position as at 30 September 2016;
- (b) Pro forma unaudited Bidder's statement of financial position as at 30 September 2016; and
- (c) the Bidder Directors' pro-forma adjustments as set out below.

6 PROFILE OF THE COMBINED GROUP CONTINUED

Pro forma financial position C\$'000	Notes	Northern Silica Corporation 30 September 2016 Management	Heemskirk Consolidated Limited 30 September 2016 Audited	Pro forma adjustments	Northern Silica Corporation 30 September 2016 Pro forma
Current assets					
Cash and cash equivalents	4	1	13,305	(800)	12,506
Trade and other receivables		–	327	–	327
Inventories		–	2,116	–	2,116
Other financial assets		–	94	–	894
Derivative financial asset		–	976	–	976
Other current assets		–	97	–	97
Total current assets		1	17,715	(800)	16,916
Non-current assets					
Property, plant and equipment		–	4,835	–	4,835
Mine development		–	22,587	–	22,587
Deferred tax assets		–	18	–	18
Other non-current assets		–	–	–	–
Total non-current assets		–	27,440	–	27,440
Total assets		1	45,155	(800)	44,356
Current liabilities					
Trade and other payables		–	4,224	–	4,224
Interest bearing liabilities		–	908	–	908
Provisions		–	152	–	152
Related party payable – Taurus	3	–	–	600	600
Total current liabilities		–	5,284	600	5,884
Non-current liabilities					
Deferred tax liabilities		–	40	–	40
Interest bearing liabilities		–	11,916	–	11,916
Provisions		–	298	–	298
Total non-current liabilities		–	12,254	–	12,254
Total liabilities		–	17,538	600	18,138
Net assets		1	27,617	(1,400)	26,218
Equity					
Contributed equity	1–2	1	97,532	(55,334)	42,198
Reserves	1	–	1,060	(1,060)	–
Retained earnings / (losses)	2–4	–	(70,975)	54,994	(15,981)
Total equity		1	27,617	(1,400)	26,218

Note: Heemskirk reports in Australian dollars and all relevant balances have been pro forma converted to Canadian dollars at an exchange rate of 1 AUD = 1 CAD
Numbers in this table have been rounded

6 PROFILE OF THE COMBINED GROUP CONTINUED

Notes

The Bidder Directors' pro forma adjustments made to arrive at the Combined Group pro forma statement of financial position as at 30 September 2016 were:

- (a) The acquisition is considered a reverse acquisition under IFRS. Under the requirements of IFRS 3 – Business Combinations, the pre-acquisition equity of Heemskirk is eliminated from the consolidated balances of the Bidder (the Combined Group).
- (b) Pro forma issue of 562,635,912 Northern Silica shares at \$0.075 per share to Heemskirk shareholders under the terms of the transaction. Note that where Heemskirk shareholders elect to receive Cash Consideration rather than shares, the cash portion will be funded by an equity contribution from Taurus BV on the same terms as the shares issued to Heemskirk Shareholders.
- (c) The estimated pro forma transaction costs to be incurred by the Bidder of \$600,000 are pro forma expensed and reflected in retained earnings. The Bidders transaction costs will be funded by a loan from Taurus BV which is to be repaid post completion.
- (d) Heemskirk has estimated that it will incur costs of \$800,000 in connection with the Offer and those costs are pro forma expensed and reflected in retained earnings. Heemskirk transaction costs are assumed to be funded from existing cash reserves.

6.3 PRO-FORMA CONSOLIDATED HISTORICAL STATEMENT OF FINANCIAL PERFORMANCE OF THE COMBINED GROUP

The unaudited pro forma consolidated historical statement of financial performance of the Combined Group has been prepared in connection with the proposed acquisition of Heemskirk by the Bidder. The unaudited pro forma consolidated statement of financial performance has been prepared for illustrative purposes only and gives effect to the acquisition by the Bidder pursuant to the assumptions described in this section 6 and gives effect to the transaction as if it had occurred as of 30 September 2016.

In preparing the Combined Group unaudited pro forma consolidated statement of financial performance in accordance with IFRS, the following historical information was used:

- (a) Heemskirk's audited consolidated statement of financial performance for the year ended 31 September 2016;
- (b) Pro forma unaudited Bidder statement of financial performance for the year ended 31 September 2016; and
- (c) The Bidder Directors' pro-forma adjustments as set out below.

6 PROFILE OF THE COMBINED GROUP CONTINUED

Pro forma statement of comprehensive income C\$'000	Notes	Bidder year ended 30 September 2016 Management	Heemskirk year ended 30 September 2016 Audited	Pro forma adjustments	Combined Group year ended 30 September 2016 Pro forma
Revenue		–	317	–	317
Cost of sales		–	–	–	–
Gross profit / (loss)		–	317	–	317
Loss on sale of investments		–	(1,694)	–	(1,694)
Fair value gain / (loss) on equity investments		–	13	–	13
Net loss on equity investments		–	(1,681)	–	(1,681)
Other income		–	1,167	–	1,167
Total other expenses		–	(514)	–	(514)
Depreciation expense		–	(425)	–	(425)
Employee benefits expense		–	(2,241)	–	(2,241)
Corporate costs		–	(876)	–	(876)
Consultants and advisory expense	1, 2	–	(755)	(1,400)	(2,155)
Finance costs		–	(187)	–	(187)
Impairment expense		–	(164)	–	(164)
Loss before income tax		–	(4,845)	(1,400)	(6,245)
Income tax		–	25	–	25
Loss after income tax		–	(4,820)	(1,400)	(6,220)
Profit from discontinued operations		–	–	–	–
Loss after income tax		–	(4,820)	(1,400)	(6,220)
<i>Other comprehensive income</i>					
Gain / (loss) on foreign currency translation		–	(1,098)	–	(1,098)
Asset revaluation		–	–	–	–
Other comprehensive income / (loss) for the period		–	(1,098)	–	(1,098)
Total comprehensive income / (loss)		–	(5,918)	(1,400)	(7,318)

Note: Heemskirk reports in Australian dollars and all relevant balances have been pro forma converted to Canadian dollars at an exchange rate of 1 AUD = 1 CAD
Numbers in this table have been rounded

6 PROFILE OF THE COMBINED GROUP CONTINUED

Notes

The Bidder Directors' pro forma adjustments made to arrive at the Combined Group pro forma statement of financial performance for the year ended 30 September 2016 were:

- (a) The estimated pro forma transaction costs to be incurred by the Bidder of \$600,000 are pro forma expensed through the statement of comprehensive income.
- (b) The estimated pro forma transaction costs to be incurred by Heemskirk of \$800,000 are pro forma expensed through the statement of comprehensive income.

6.4 PRO-FORMA CONSOLIDATED HISTORICAL CASH FLOW STATEMENT OF THE COMBINED GROUP

The unaudited pro forma consolidated historical cash flow statement of the Combined Group has been prepared in connection with the proposed acquisition of Heemskirk by the Bidder. The unaudited pro forma consolidated cash flow statement has been prepared for illustrative purposes only and gives effect to the acquisition by the Bidder as if it had occurred as of 30 September 2016.

In preparing the Combined Group unaudited pro forma historical cash flow statement in accordance with IFRS, the following historical information was used:

- (a) Heemskirk's audited historical cash flow statement for the year ended 31 September 2016;
- (b) Pro forma unaudited Bidder statement of financial performance for the year ended 31 September 2016; and
- (c) The Bidder Directors' pro-forma adjustments as set out below.

6 PROFILE OF THE COMBINED GROUP CONTINUED

Pro forma statement of cash flows C\$'000	Notes	Bidder Year ended 30 September 2016 Management	Heemskirk Year ended 30 September 2016 Audited	Pro forma adjustments	Combined Group Year ended 30 September 2016 Pro forma
Operating activities					
Receipts from customers		–	188	–	188
Payments to suppliers and employees	1, 2	–	(4,754)	(1,400)	(6,154)
Interest received		–	131	–	131
Income tax received / (tax)		–	12	–	12
Finance costs paid		–	–	–	–
Net cash flows used in operating activities		–	(4,423)	(1,400)	(5,823)
Investing activities					
Cash deposit for bank guarantees		–	–	–	–
Proceeds from the sale of equity investments		–	826	–	826
Proceeds from the sale of property, plant & equipment		–	35	–	35
Purchases of property, plant & equipment		–	(87)	–	(87)
Mine development expenditure		–	(11,768)	–	(11,768)
Dividends received		–	–	–	–
Net cash flows used in investing activities		–	(10,994)	–	(10,994)
Financing activities					
Proceeds from issue of share capital, net of transaction costs		–	9,696	–	9,696
Proceeds / (repayment) of borrowings	1	–	13,224	600	13,824
Convertible notes redemption		–	–	–	–
Finance leases		–	(144)	–	(144)
Borrowing costs paid		–	(207)	–	(207)
Net cash flows from financing activities		–	22,569	600	23,169
Net increase / (decrease) in cash and cash equivalents		–	7,152	(800)	6,352
Cash and cash equivalents at beginning of year		–	5,974	–	5,974
Net foreign exchange differences		–	179	–	179
Cash and cash equivalents at end of year		–	13,305	(800)	12,505

Note: Heemskirk reports in Australian dollars and all relevant balances have been pro forma converted to Canadian dollars at an exchange rate of 1 AUD = 1 CAD
Numbers in this table have been rounded

6 PROFILE OF THE COMBINED GROUP CONTINUED

Notes

The Bidder Directors' pro forma adjustments made to arrive at the Combined Group pro forma statement of financial performance for the year ended 30 September 2016 were:

- (a) The estimated pro forma transaction costs to be incurred by the Bidder of \$600,000 are funded by a loan from Taurus BV which is to be repaid post completion; and
- (b) The estimated pro forma transaction costs to be incurred by Heemskirk of \$800,000 are assumed to be funded from existing cash reserves.

6.5 FORECAST FINANCIAL INFORMATION

The Bidder has given careful consideration as to whether forecast financial information in respect of the Combined Group can and should be included in this Bidder's Statement. In particular, the Bidder has considered whether there is a reasonable basis for the preparation and disclosure in this Bidder's Statement of reliable, meaningful and relevant forecast financial information.

The Bidder has concluded that it does not have sufficient information to provide forecast financial information for the Combined Group because it does not have a reasonable basis for such forecasts as required by applicable law, regulatory guidance and practice, and therefore the forecasts would not be meaningful or material to Heemskirk Shareholders.

7 FUNDING

7.1 CONSIDERATION UNDER THE OFFER

The Cash Consideration for the acquisition of Heemskirk Shares will be satisfied in cash (in Australian dollars) and the Share Consideration for the acquisition of Heemskirk Shares will be satisfied by the issue of the Bidder Shares.

7.2 SHARE CONSIDERATION

Based on the number of Heemskirk Shares on issue as at the date of this Bidder's Statement, the maximum number of the Bidder Shares which may need to be issued in accordance with the Offer if acceptances were received for all Heemskirk Shares in return for the Share Consideration is approximately 565,697,720.

7.3 SOURCE OF SHARE CONSIDERATION

The Bidder has the capacity to issue the maximum number of the Bidder Shares which it may be required to issue under the Offer.

7.4 CASH CONSIDERATION

Based on the number of Heemskirk Shares on issue as at the date of this Bidder's Statement, the maximum amount of cash that would be payable by the Bidder under the Offer if acceptances were received for all Heemskirk Shares in return for the Cash Consideration is approximately \$42,427,329.

7.5 SOURCES OF CASH CONSIDERATION

(a) Cash amounts held by the Bidder

The Bidder has no cash reserves other than its initial share capital of C\$10,000.

(b) Cash available from Taurus BV

On 4 January 2017, the Bidder and Taurus BV entered into a funding commitment letter ("**Funding Commitment Letter**"), pursuant to which Taurus BV has undertaken to provide the Bidder with sufficient funds to allow it to satisfy all of its financial obligations under the Offer, including 100% of the Cash Consideration. In turn, the T2 Fund has undertaken to provide Taurus BV with sufficient funds to allow it to satisfy its obligations to the Bidder under the Funding Commitment Letter.

The T2 Fund will fund its financial obligations under the Funding Commitment Letter using a mixture of existing cash resources which have been allocated to satisfy its commitment under the Funding Commitment Letter. The remainder will be funded using undrawn capital commitments from the limited partners of the T2 Fund. As at the date of this Bidder's Statement, the T2 Fund had cash reserves and undrawn capital commitments in excess of \$42,427,329. The T2 Fund has confirmed it will maintain at least cash reserves and undrawn capital commitment of \$42,427,329 during the Offer Period and compulsory acquisition process (except to the extent such amount is no longer needed to satisfy the Bidder's obligations under the Offer Terms or the compulsory acquisition process).

7 FUNDING CONTINUED

Subject to the Offer becoming unconditional, the Bidder will issue Taurus BV with a number of Bidder Shares equal to the value of the Cash Consideration which Taurus BV has provided the Bidder at \$0.075 per Bidder Share. By way of example:

- If all Heemskirk Shareholders accept the Offer in return for the Share Consideration, Taurus BV (together with T2 LP and T2 Trust) would hold 30.73% of the Bidder Shares, with the remaining 67.27% being held by the other Heemskirk Shareholders in the same proportion as they current hold shares in Heemskirk;
- If all Heemskirk Shareholders (other than Taurus BV) accept the Offer in return for the Cash Consideration, Taurus BV (together with T2 LP and T2 Trust) would hold 100% of the Bidder Shares (being 30.73% of Heemskirk Shares which it would have accepted in return for the Share Consideration, and 67.27% of new Bidder Shares issued by the Bidder in consideration of Taurus BV funding the Cash Consideration for the 67.27% of Heemskirk Shareholders who accepted the Cash Consideration); and
- If 50% of Heemskirk Shareholders (including Taurus BV) accept the Offer in return for the Share Consideration and 50% of Heemskirk Shareholders for the Cash Consideration, Taurus BV (together with T2 LP and T2 Trust) will hold 80.73% of Bidder Shares (being 30.73% of Heemskirk Shares which it would have accepted in return for the Share Consideration and 50% of new Bidder Shares issued by the Bidder in consideration of Taurus BV funding the Cash Consideration. The remaining 19.27% would be held by the 50% of Heemskirk Shareholders (excluding Taurus BV) who accepted the Offer in return for the Cash Consideration.

7.6 PROVISION OF CONSIDERATION

On the basis of the arrangements described in this section, the Bidder is of the opinion that it has a reasonable basis for holding the view, and holds the view, that the Bidder will be able to provide 100% of the Cash Consideration and 100% of the Share Consideration offered under the Offer.

8

TAXATION CONSIDERATIONS



RSM Australia Pty Ltd

Level 13, 60 Castlereagh Street Sydney NSW 2000
GPO Box 5138 Sydney NSW 2001

T +61(0)2 8226 4500
F +61(0)2 8226 4501

www.rsm.com.au

13 March 2017

The Directors
Northern Silica Corporation
C/O 2500, 450 – 1st Street SW
Calgary, Alberta, T2P 5H1
Canada

Dear Directors

Australian and Canadian tax consequences for certain Heemskirk Shareholders arising under the proposed acquisition of Heemskirk Consolidated Limited by Northern Silica Corporation

This tax summary has been prepared at the instruction of Northern Silica Corporation (**NSC**) for inclusion in the Bidder's Statement.

Unless otherwise defined herein, terms defined in this tax summary shall have the meaning given to it in the Bidder's Statement.

1.0 Scope

This tax summary provides information of a general nature only, outlining the Australian and Canadian income tax and Goods and Services Tax (**GST**) implications for the shareholders of Heemskirk Consolidated Limited (**Heemskirk**) in respect of the Offer.

The comments set out in this tax summary are only relevant to those Heemskirk Shareholders who are Australian resident shareholders that hold their Heemskirk Shares on capital account. The comments are not applicable for Heemskirk Shareholders who:

- are in the business of share trading, are dealing in securities or otherwise hold their Heemskirk Shares on revenue account or as trading stock;
- are subject to the taxation of financial arrangements rules in Division 230 of the *Income Tax Assessment Act 1997* (Cth) (**ITAA 1997**) in relation to gains and losses in respect of their Heemskirk Shares;
- acquired their Heemskirk Shares through an employee share plan or employee share scheme;
- are not residents of Australia for tax purposes; or
- are dual residents (i.e., individuals or entities taken to be resident of Australia and another Country for tax purposes) or are "temporary residents" as that term is defined in the *ITAA 1997*.

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Liability is limited by a scheme approved under Professional Standards Legislation.

8 TAXATION CONSIDERATIONS CONTINUED



This tax summary is based on current Australian and Canadian tax law and our understanding of how it will apply to Heemskirk and Heemskirk Shareholders based on established interpretations as at the date of this tax summary. Consequently, our view of the tax law, and its implications for Heemskirk and Heemskirk Shareholders, may differ from the view adopted by the Australian Taxation Office (**ATO**), the Canada Revenue Agency (**CRA**) or which is subsequently upheld in any court. In this regard, we cannot guarantee that our interpretation of the law will not be challenged by the ATO or CRA in the event of a review or an audit. Our tax summary does not take into account the implications of any proposed changes to the tax law or retrospective application of any tax law which has not received Royal Assent by the date of our tax summary. We do not undertake to update our tax summary in the event of any future changes to the tax law.

The information provided in this tax summary is general in nature and does not constitute taxation advice and cannot be relied upon as such by Heemskirk Shareholders. This tax summary is not intended to be an authoritative or exhaustive statement of the tax legislation applicable to all Heemskirk Shareholders. As the tax consequences for Heemskirk Shareholders of participating in the Offer will depend on each Heemskirk Shareholder's own individual circumstances, all Heemskirk Shareholders are advised to seek independent professional advice regarding the tax consequences associated with the disposal of their Heemskirk Shares.

Heemskirk is in the process of applying for a class ruling from the ATO in relation to the availability of Capital Gains Tax scrip for scrip roll-over relief (**CGT roll-over relief**) for Heemskirk Shareholders. Importantly, this tax summary has been prepared on the assumption that the ATO will grant CGT roll-over relief (where applicable) and will issue a class ruling confirming this. The class ruling has been prepared on the basis that NSC will acquire at least 80% of the issued shares in Heemskirk. CGT roll-over relief will not be available where NSC acquires less than 80% of the issued shares in Heemskirk.

This tax summary is neither an endorsement of the Offer nor a recommendation as to whether Heemskirk Shareholders should accept the Offer. RSM expresses no opinion in respect of the Bidder's Statement.

2.0 Background

Details of the Offer are set out in the Bidder's Statement and are therefore not repeated in detail here. This section summarises, for convenience only, our understanding of the Offer. Heemskirk Shareholders' rights depend on the Bidder's Statement in total and not on this section.

The terms of the Offer will mean that Heemskirk Shareholders who accept the Offer will receive consideration in the form of either:

- Cash Consideration: A\$0.075 per Heemskirk Share;¹ or
- Share Consideration: in NSC – issued on a one for one basis to the number of Heemskirk Shares held by that Heemskirk Shareholder (**NSC Shares**). The capital proceeds received for tax purposes will be equal to the market value of the NSC Shares received (which should be equivalent to Cash Consideration, i.e., A\$0.075 per Heemskirk Share exchanged).²

¹ If a Heemskirk Shareholder continues to hold Heemskirk Shares on the record date for any Heemskirk dividend, the Heemskirk Shareholder will be entitled to receive that dividend. However, the value of the Cash Consideration will be reduced by the amount of any Heemskirk dividend which arises or accrues after the announcement date. Accordingly, any reference made in this tax summary to Cash Consideration or the amount of capital proceeds for the disposal of Heemskirk Shares is a reference to \$A0.075 per Heemskirk Share less any Heemskirk dividend which arises or accrues in respect of those Heemskirk Shares after the announcement date.

² As the value of Share Consideration for tax purposes will be equivalent to Cash Consideration per Heemskirk Share, any reference in this tax summary to the value of Share Consideration is also a reference to \$A0.075 per Heemskirk Share exchanged less any Heemskirk dividend which arises or accrues in respect of those Heemskirk Shares after the announcement date.

8 TAXATION CONSIDERATIONS CONTINUED



The principal activity of Heemskirk is the development and construction of the Moberly Project. The Moberly Project is situated near the town of Golden, in south-eastern British Columbia, Canada. A large majority of the assets owned by Heemskirk (or wholly owned subsidiaries of Heemskirk) are land, mining tenements, mining and minerals processing infrastructure situated in Canada.

NSC is a Canadian Private Corporation and will not make an election to be classified as a Canadian Public Corporation for the purposes of the *Income Tax Act* (Canada).

For the purposes of this tax summary, at all relevant times it is assumed that Heemskirk is a resident of Australia for tax purposes and NSC is a resident of Canada for tax purposes.

In addition, for the purposes of our tax summary, it is assumed that Heemskirk Shareholders will not be eligible for indexation (i.e., it is assumed the Heemskirk Shares were acquired, or were deemed to have been acquired, after 11:45am Australian Eastern Standard Time on 21 September 1999). However, we have taken into account that Heemskirk Shareholders may be eligible to apply the CGT discount (refer Section 3.3 below for further details).

3.0 Australian tax implications

3.1 Cash Consideration

If a Heemskirk Shareholder elects for Cash Consideration, the disposal of Heemskirk Shares by a Heemskirk Shareholder pursuant to the Offer will constitute a CGT event.

The CGT event will happen at the time the Heemskirk Shareholder disposes of its Heemskirk Shares for Cash Consideration. Heemskirk Shareholders should:

- make a capital gain if the capital proceeds on disposal of their Heemskirk Shares are greater than the cost base of their Heemskirk Shares; or alternatively
- make a capital loss if the capital proceeds on disposal of their Heemskirk Shares are less than the reduced cost base of their Heemskirk Shares.

A Heemskirk Shareholder's capital proceeds should generally be equal to the Cash Consideration received in respect of the disposal of their Heemskirk Shares. A Heemskirk Shareholder's cost base of their Heemskirk Shares should generally include the amount paid (or deemed to be paid) by the Heemskirk Shareholder to acquire the Heemskirk Shares plus any non-deductible incidental costs incurred in relation to the acquisition or disposal of the Heemskirk Shares (e.g. brokerage fees). The reduced cost base is determined in a similar but not identical manner to the cost base calculation.

If a Heemskirk Shareholder has held their Heemskirk Shares for longer than 12 months, the Heemskirk Shareholder may be entitled to apply the CGT discount (refer to Section 3.3 below for further details).

3.2 Share Consideration

If a Heemskirk Shareholder, who is not an Ineligible Foreign Shareholder, elects the Share Consideration, the disposal of Heemskirk Shares by that Heemskirk Shareholder in these circumstances will constitute a CGT event.

8 TAXATION CONSIDERATIONS CONTINUED



The CGT event will happen at the time the Heemskirk Shareholder disposes of their Heemskirk Shares for Share Consideration. Heemskirk Shareholders should:

- make a capital gain if the capital proceeds on disposal of their Heemskirk Shares are greater than the cost base of their Heemskirk Shares; or alternatively
- make a capital loss if the capital proceeds on disposal of their Heemskirk Shares are less than the reduced cost base of their Heemskirk Shares.

If a Heemskirk Shareholder elects to receive Share Consideration, capital proceeds received for tax purposes will be equivalent to the Cash Consideration, being A\$0.075 per Heemskirk Share exchanged.

A Heemskirk Shareholder's cost base of their Heemskirk Shares should generally include the amount paid (or deemed to be paid) by the Heemskirk Shareholder to acquire the Heemskirk shares plus any non-deductible incidental costs of acquisition or disposal of the Heemskirk Shares (e.g. brokerage fees). The reduced cost base is determined in a similar but not identical manner to the cost base calculation.

To the extent that Heemskirk Shareholders do not make the choice to apply CGT roll-over relief in relation to Share Consideration, the Heemskirk Shareholder may be eligible to apply the CGT discount (refer to Section 3.3 below for further details).

a) Overview of CGT roll-over relief

Heemskirk Shareholders, who are not Ineligible Foreign Shareholders, that elect to receive Share Consideration and make a capital gain from the disposal of their Heemskirk Shares, should be able to choose to obtain CGT roll-over relief under Subdivision 124-M of the *ITAA 1997* in respect of the Share Consideration.

Broadly, CGT roll-over relief enables a Heemskirk Shareholder to choose to disregard the portion of the capital gain made upon the disposal of their Heemskirk Shares that is attributable to the Share Consideration.

CGT roll-over relief will not be available to the extent that a Heemskirk Shareholder receives Cash consideration for the disposal of their Heemskirk Shares. CGT roll-over relief will also not be available if the Heemskirk Shareholder makes a capital loss from the disposal of their Heemskirk Shares.

We note the availability of CGT roll-over relief will be the subject of an ATO class ruling request made on behalf of Heemskirk Shareholders which is still in the process of finalisation. Based on our understanding of the requirements of Subdivision 124-M and of Heemskirk, we would expect the ATO to confirm the availability of such a roll-over. We note that should the ATO adopt a different view in relation to the availability of CGT roll-over relief, the ATO may disallow some or all of the roll-over relief for Heemskirk Shareholders.

b) Consequences if CGT roll-over relief is chosen

If a Heemskirk Shareholder chooses to obtain CGT roll-over relief, the following general tax treatment will apply:

- **Capital Gain** - that part of the capital gain that is referable to the receipt of NSC Shares, and for which roll-over was obtained, should be disregarded.
- **Cost base and reduced cost base of NSC Shares** – the first element of the cost base for the NSC Shares is worked out by reasonably attributing to them the existing cost base of the Heemskirk Shares that the Heemskirk Shareholder exchanged for the NSC Shares and for which roll-over was obtained. As the Share

8 TAXATION CONSIDERATIONS CONTINUED



Consideration will be offered on a one for one basis, the cost base of the NSC Shares should be the same as the original cost base of the Heemskirk Shares. The first element of the reduced cost base is worked out similarly.

- *Acquisition date of NSC Shares* – the acquisition date of the NSC Shares for CGT discount purposes is taken to be the date when the Heemskirk Shareholder acquired the original Heemskirk Shares that were exchanged for the relevant NSC Shares and for which roll-over was obtained. The acquisition date will be relevant for the purposes of determining whether any entitlement to the CGT discount is available in respect of any future disposal of NSC Shares.

A Heemskirk Shareholder does not need to inform the ATO or document their choice to claim CGT roll-over relief other than to complete their Australian income tax return in a manner that is consistent with their choice.

c) Consequences if CGT roll-over relief is not chosen or is not available

If a Heemskirk Shareholder receives Cash Consideration or does not choose to apply CGT roll-over relief in relation to any Share Consideration received (or CGT roll-over relief is not otherwise available), the following general tax treatment will apply:

- *Capital Gain or Capital Loss* – the Heemskirk Shareholder will make a capital gain if the capital proceeds on disposal of their Heemskirk Shares are greater than the cost base of their Heemskirk Shares. The Heemskirk Shareholder will make a capital loss if the capital proceeds on disposal of their Heemskirk Shares are less than the reduced cost base of their Heemskirk Shares.
- *Cost base and reduced cost base of NSC Shares* – the first element of the cost base (and reduced cost base) of the NSC Shares received by a Heemskirk Shareholder will be equivalent to the Cash Consideration, being A\$0.075 per Heemskirk Share exchanged.
- *Acquisition date of NSC Shares* – the acquisition date of the NSC Shares for CGT discount purposes should be the date on which a Heemskirk Shareholder, who is not an Ineligible Foreign Shareholder and who elects to receive the Share Consideration, accepts the Offer to receive their NSC Shares (i.e., the date of acceptance of the Offer). This means that a Heemskirk Shareholder will need to hold their NSC Shares for at least 12 months after that date before the CGT discount (described below) can apply on a subsequent disposal of their NSC Shares.

3.3 Calculation of capital gain or loss

Where the Heemskirk Shareholder:

- receives Cash Consideration; or
- where Share Consideration is chosen and CGT roll-over relief is not chosen or is not available,

the Heemskirk Shareholder must calculate the relevant capital gain or loss on disposal of their Heemskirk Shares by reference to the capital proceeds and the cost base or reduced cost base of those shares.

Capital gains and capital losses of a taxpayer in an income year are aggregated to determine whether there is a net capital gain. Any net capital gain is included in a taxpayer's assessable income and is subject to income tax at the taxpayer's applicable tax rate.

8 TAXATION CONSIDERATIONS CONTINUED



If a taxpayer has a net capital loss in an income year, these losses may not be offset against other income for tax purposes, but may be carried forward to offset future capital gains made by the taxpayer (subject to satisfying any loss recoupment requirements).

a) CGT discount

If a Heemskirk Shareholder has held, or is taken to have held, their Heemskirk Shares for at least 12 months (for CGT discount purposes) at the time of the disposal of their Heemskirk Shares, the CGT discount may be applicable.

Where the CGT discount rules apply, the rules should enable a net capital gain (i.e., after application of current and prior year capital losses) arising from the disposal of Heemskirk Shares to be calculated as follows:

- 50% for individuals and trusts; and
- 33 1/3% for complying superannuation funds.

The CGT discount concession is not available to companies (including corporate beneficiaries of trusts).

It is recommended that Heemskirk Shareholders seek their own independent professional tax advice to determine whether the CGT discount can be applied or whether capital losses can be applied against capital gains made by the Heemskirk Shareholder.

3.4 Future dividends from NSC

If dividends are paid in respect of the NSC Shares, holders of NSC Shares who are Australian residents will generally be required to include the amount of any dividends in their assessable income when paid (even if reinvested). However, no franking credits will be attached to such dividends because NSC is not an Australian company.

To the extent that dividends paid by NSC are subject to Canadian dividend withholding tax then the gross amount of those dividends (i.e., before the deduction of dividend withholding tax) will generally be required to be included in the assessable income of the holders of NSC Shares who are Australian residents. However, a holder of NSC Shares may be able to reduce the amount of Australian tax payable in respect of that assessable income by claiming a foreign income tax offset for some or all of the Canadian dividend withholding tax that was deducted.

Dividends paid by NSC to a shareholder who is an Australian resident company may be non-assessable non-exempt income of that shareholder if the Australian resident company receiving the dividend has a 10% or greater participation interest (relating to capital, dividend and voting rights) in NSC.

Holders of NSC Shares should obtain their own independent professional tax advice in relation to the amount of the foreign income tax offset they may claim or whether the dividend may be non-assessable non-exempt income of the shareholder.

Section 4.3 below contains a summary of the Canadian tax implications of receiving dividends from NSC.

8 TAXATION CONSIDERATIONS CONTINUED



3.5 *Future disposal of NSC Shares*

Where a Heemskirk Shareholder, who is not an Ineligible Foreign Shareholder, elects to receive Share Consideration, all of their consideration will consist of NSC Shares. On the basis of the assumption that the NSC Shares will be held by NSC shareholders on capital account, there will be a CGT event for NSC shareholders at the time of disposal. The capital gain or loss will be calculated with reference to the capital proceeds received and the cost base or reduced cost base of the NSC Shares. This, in turn, will depend on whether the Heemskirk Shareholder chose CGT roll-over relief.

If an Australian resident NSC shareholder has held, or is taken to have held, their NSC Shares for at least 12 months (for CGT discount purposes) at the time of the disposal of their NSC Shares, the shareholder may be eligible to apply the CGT discount (as discussed above in Section 3.3).

For the purposes of claiming the CGT discount in respect of any capital gain realised on the subsequent disposal of NSC Shares, the acquisition date of the NSC Shares will be, where CGT roll-over relief:

- is available in respect of the Offer and is chosen by the Heemskirk Shareholder – the original acquisition date of the Heemskirk Shares that were exchanged for NSC Shares; or
- is either not available in respect of the Offer, or is available but is not chosen by the Heemskirk Shareholder – the date of acceptance of the Offer.

If the disposal of shares in NSC is subject to Canadian income tax, a NSC shareholder may be able to reduce the amount of Australian tax payable in respect of the capital gain by claiming a foreign income tax offset for some or all of the Canadian income tax that was paid. NSC shareholders should obtain their own independent professional tax advice in relation to the amount of the foreign income tax offset they may claim in these circumstances.

Section 4.4 below contains a summary of the Canadian tax implications in relation to the disposal of NSC Shares.

3.6 *GST*

Heemskirk Shareholders should not be liable for Australian GST in respect of the disposal of their Heemskirk Shares. Likewise, any future disposal of NSC Shares should not attract Australian GST.

However, the ability of Heemskirk Shareholders to claim input tax credits or reduced input tax credits, associated with GST included in the cost of acquisitions (if any) related directly or indirectly to the disposal of shares, may be restricted.

This is a complex area of the GST law and GST registered Heemskirk Shareholders should seek their own independent professional tax advice in this regard.

4.0 *Canadian tax implications*

4.1 *Cash Consideration or Share Consideration*

Under Canadian tax law, gains realised by non-residents are only subject to tax if they result from a disposition of “taxable Canadian property” (**TCP**) as that term is defined for Canadian income tax purposes. Shares of a company whose value is more than 50% attributable to “Canadian resource properties” are ordinarily considered TCP.

8 TAXATION CONSIDERATIONS CONTINUED



However, there is a specific exemption for shares of public companies owning Canadian resource properties if the following conditions are met:

- i) the shares are listed on a "designated stock exchange"; and
- ii) at no time in the 60 month period preceding the sale did the non-resident, together with persons with whom the non-resident does not deal at arm's length, own 25% or more of the issued shares of any class of capital stock of the corporation.

The ASX is a designated stock exchange for Canadian income tax purposes.

Therefore, there are no Canadian income tax implications from the sale of Heemskirk Shares to NSC for those Heemskirk Shareholders who, together with persons they do not deal at arm's length, own less than 25% of any class of the issued share capital regardless of whether they receive Cash Consideration or Share Consideration.

4.2 Calculation of capital gain or loss

There is no capital gain or loss for Canadian tax purposes for those Heemskirk Shareholders who, together with persons they do not deal at arm's length, own less than 25% of the issued shares of any class of Heemskirk's share capital.

4.3 Future dividends from NSC

Domestic Canadian income tax rules requires that a Canadian resident corporation must withhold 25% of any dividend paid to a non-resident. Under the Canada/Australia Income Tax Treaty, the withholding rate is reduced to 15% if the dividend is paid to a resident of Australia and further reduced to 5% if the Australian resident is a corporation which owns more than 10% of the voting share capital of the Canadian corporation paying the dividend.

4.4 Future disposal of NSC Shares

Once NSC acquires 25% or more of the shares of Heemskirk and more than 50% of the value of Heemskirk is attributable to Canadian resource properties, NSC Shares will be considered TCP. As mentioned earlier, Canada does impose tax on capital gains realised by non-residents from the disposition of TCP. While the Canada/Australia Income Tax Treaty does impose limitations on the ability of one country taxing gains on the alienation of property by residents of the other country, these limitations do not apply to the direct or indirect alienation of real property. By definition, Canadian resource property is considered to be real property.

Canadian tax rules require anyone purchasing TCP from a non-resident to withhold and remit to the CRA 25% of the proceeds. There are provisions to provide information and receive a certificate, referred to as a section 116 certificate, such that the amount withheld is reduced to 25% of the capital gain that will be realised rather than the full amount of the proceeds. This process needs to begin early in order for the certificate to be issued before the sale is completed. Without the certificate, the purchaser will be required to withhold 25% of the full purchase price.

The application process begins with the non-resident vendor providing to CRA the following information:

- i) the name and address of the proposed purchaser
- ii) a description of the property
- iii) the estimated proceeds

8 TAXATION CONSIDERATIONS CONTINUED



- iv) the amount of, and evidence to support, the adjusted cost base (**ACB**)

Once CRA is satisfied of the ACB, the certificate will permit the purchaser to withhold 25% of the proceeds in excess of the ACB.

Capital gains are calculated by subtracting the ACB from the sale proceeds. For income tax purposes, the taxable capital gain (i.e., the amount included in taxable income) is one-half of the capital gain. For individuals the top marginal income tax rate is approximately 53% and for corporations the tax rate is approximately 25%. Trusts are taxed at the top individual tax rate.

For Canadian tax purposes, the ACB of the NSC Shares will be A\$0.075 a share, converted to Canadian dollars at the time the Heemskirk Shares are sold, for those shareholders who sell their Heemskirk Shares in exchange for NSC Shares. Whether or not Heemskirk Shareholders take advantage of CGT roll-over relief for Australian tax purposes will have no bearing on the ACB for Canadian tax purposes.

The ACB of the Heemskirk Shares acquired by NSC will also be the Canadian dollar equivalent of A\$0.075 per share at the date the Heemskirk Shares are acquired. Should NSC sell the Heemskirk Shares, its taxable capital gain would be taxed at a rate of approximately 26.5%. Any after tax dividends paid to its Australian resident NSC shareholders would be subject to withholding tax as discussed above in Section 4.3.

4.5 Tax return filing requirements for NSC Shareholders

There is no requirement for non-residents of Canada to file any returns with respect to dividends received from NSC.

If NSC Shares are sold, Australian residents could be required to file either a personal, trust or corporate Canadian income tax return depending on the nature of the person that sells the shares. As mentioned earlier, one-half of the capital gain would be taxable at the rates referred to above in Section 4.4. Any taxes withheld by the purchaser, as discussed above in Section 4.4, would be treated as an instalment of taxes paid.

4.6 GST

GST is a value added tax that applies to certain supplies of goods and services in Canada. Harmonised Sales Tax (**HST**) is used in certain Canadian provinces where both the federal GST and the regional provincial sales tax have been combined into a single value added tax.

There are no GST or HST implications from the transfer or sale of Heemskirk Shares to NSC, the sale of NSC Shares or in respect of the sale of Heemskirk Shares by NSC.

5.0 Disclaimer

This tax summary does not constitute financial product advice as defined in the *Corporations Act*. This tax summary is confined to tax issues and is only one of the matters a shareholder needs to consider when making a decision about their investments. Heemskirk Shareholders should consider taking advice from a licensed advisor before making a decision about their investments. RSM is not required to hold an Australian Financial Services Licence under the *Corporations Act* in order to provide Heemskirk Shareholders with this tax summary.

We consent to the inclusion of this tax summary in the Bidder's Statement. This consent has not been withdrawn at the date of this letter.

8 TAXATION CONSIDERATIONS CONTINUED



We have not caused and take no responsibility for the publication of any part of the Bidder's Statement in which this letter appears, other than the letter itself.

* * * * *

Yours sincerely

RSM Australia Pty Ltd

RSM AUSTRALIA PTY LTD

9 INVESTMENT RISKS

9.1 INTRODUCTION

In deciding whether or not to accept the Offer, you should read this entire Bidder's Statement carefully. You should also carefully consider the risk factors outlined in this section and your personal circumstances. This section is general only and does not take into account your individual objectives, financial situation or needs.

Provided the Offer becomes or is declared unconditional, Heemskirk Shareholders who accept the Offer in return for the Share Consideration will become shareholders in the Bidder and will be exposed to the risks of the Combined Group (which include the existing risks of investments in Heemskirk, along with specific risks relating to the Offer).

The future performance of the Combined Group, the future investment performance of the Bidder Shares, and the amount and timing of any dividends that the Bidder pays will be influenced by a wide range of factors. Some of these factors can be mitigated by the use of safeguards and appropriate commercial action. However, many of these factors are beyond the control of the Bidder and the Bidder Directors. There can be no guarantee that the Bidder will achieve its stated objectives or intentions, that forecasts will be met or that forward looking statements will be realised.

The value of the Offer to Heemskirk Shareholders who accept the Share Consideration will depend upon the future performance of the Bidder or the Combined Group and the value of the Bidder Shares. As a result, Heemskirk Shareholders should carefully consider both the risks affecting the Offer and those risks affecting the future performance of the Bidder or the Combined Group and the value of the Bidder Shares.

This section outlines some of the:

- (a) specific risk factors associated with Heemskirk and the Bidder and the sector in which it operates (see section 9.2);
- (b) risk factors that arise from the Offer (see section 9.3); and
- (c) general risk factors that may affect the Combined Group (see section 9.4).

The risks identified in this Bidder's Statement are not necessarily exhaustive. The Bidder gives no assurance or guarantee that the risks set out in this Bidder's Statement will not change, or that additional risks which are not disclosed in this Bidder's Statement will not arise. There may be other material risks which are not disclosed in this Bidder's Statement because they have not been announced by Heemskirk to the ASX, are not known to the Bidder or were not considered to be material at the date of this Bidder's Statement.

Such additional risks and uncertainties not currently known to the Bidder may also have a material adverse effect on the performance of the Bidder or the Combined Group, the ability of the Bidder or the Combined Group to pay dividends, and the value of the Bidder Shares. The information set out in this section does not purport to be, nor should it be construed as representing, an exhaustive list of the risks affecting the Bidder or the Combined Group.

The past performance of Heemskirk is not necessarily representative of the future performance of Heemskirk or the Combined Group or the value of the Bidder Shares.

9.2 SPECIFIC RISK FACTORS RELATING TO HEEMSKIRK AND THE BIDDER

(a) Moberly construction risk

Moberly remains under construction and has been subject to multiple delays compared to its original schedule. The Bidder cannot give assurances that remaining Moberly construction activities will be completed on-time and on-budget in accordance with the current development schedule. Completion of the Moberly Project involves a number of typical construction risks including the failure to obtain necessary approvals, employee or equipment shortages, higher than budgeted construction costs, insolvency events and project delays, which may impact the commerciality and economics of the project.

9 INVESTMENT RISKS CONTINUED

There are also risks associated with ensuring contractors and subcontractors perform their contractual obligations to Heemskirk and do not withdraw from their contractual arrangements.

Any additional delays are likely to result in an additional funding requirement on behalf of the Combined Group.

(b) **Weather and climatic conditions**

Moberly is located in a mountainous area that is typically subject to significant snow fall and extremely cold temperatures during winter months. Adverse weather conditions are a risk to completion of remaining Moberly construction activities and/or future operations. Heavy snow fall may result in a suspension of site based activities and/or negatively impact logistics operations and the ability for sand to be dispatched to Moberly's customers. Either of these outcomes could have an adverse effect on the Combined Group's financial and operational performance.

(c) **Production and cost estimates**

The ability to achieve Moberly's production targets, or meet operating and capital expenditure estimates on a timely basis cannot be assured. The assets of Heemskirk are subject to uncertainty with ore tonnes, grade, recovery, ground conditions, operational environment, funding for development, regulatory changes, accidents and other unforeseen circumstances such as unplanned mechanical failure of plant or equipment.

No assurance can be given that estimates of future Moberly production, cash costs and capital costs of production will be achieved. Failure to achieve production or cost estimates or material increases in costs could have an adverse impact on the Combined Group's future cash flows, profitability, results of operations and financial condition.

Costs of production may also be affected by a variety of factors, including: changing waste-to-ore ratios, product recoveries, labour costs, general inflationary pressures and currency exchange rates. Unforeseen production cost increases could result in the Combined Group not realising its development plans or in such plans costing more than expected or taking longer to realise than expected. Any of these outcomes could have an adverse effect on Combined Group's financial and operational performance.

(d) **Ore Reserves and Mineral Resources**

Heemskirk's ore reserves and mineral resources are expressions or judgements based on industry practice, experience and knowledge and are estimates only. Estimates of Ore Reserves and Mineral Resources are necessarily imprecise and depend to some extent on interpretations which may prove inaccurate. No assurance can be given that the estimated reserves and resources are accurate or that the indicated level of silica or any other mineral will be produced. Such estimates are, in large part, based on interpretations of geological data obtained from drill holes and other sampling techniques. Actual mineralisation or geological conditions may be different from those predicted. No assurance can be given that any or all of Heemskirk's Mineral Resources constitute or will be converted into reserves.

Market price fluctuations of frac sand as well as increased production and capital costs may render Heemskirk's ore reserves unprofitable to develop at a particular site or sites for periods of time or may render mineral reserves containing relatively lower grade mineralisation uneconomic. Estimated reserves may have to be recalculated based on actual production experience. Any of these factors may require the Combined Group to reduce its mineral reserves and resources, which could have a negative impact on the Combined Group's financial results and the expected operating life of Moberly.

Actual ore reserves and mineral resources may differ from those estimated, which could have a positive or negative effect on the Combined Group's financial performance.

9 INVESTMENT RISKS CONTINUED

(e) **Geological and Geotechnical**

There is a risk that unforeseen geological and geotechnical difficulties may be encountered when developing and mining Ore Reserves, such as unusual or unexpected geological conditions, pit wall failures, rock bursts, seismicity and cave-ins. In any of these events, a loss of revenue may be caused by the lower than expected production and/or higher than anticipated operation and maintenance costs and/or on-going unplanned capital expenditure in order to meet production targets.

(f) **Off-take Risk**

At the time of publishing this Bidder's Statement, Heemskirk had not entered into any off-take contracts for the future sale of Moberly frac sand production. Until such time as unconditional off-take contracts are entered into, uncertainty will exist in relation to the sales estimates, in both physical tonnages and unit pricing terms, which support Moberly's forecast revenues. No assurance can be given that such estimates will be achieved. Failure to achieve off-take arrangements in-line with revenue estimates could have an adverse impact on the Combined Group's future cash flows, profitability, results of operations and financial condition.

(g) **Foreign Exchange Risk**

Moberly's revenue is derived from the sale of frac sand in Canadian dollars and funding for the Moberly Project is received in US dollars. Costs are mainly incurred by the business in Canadian dollars therefore events in the CAD to USD exchange rate may adversely or beneficially affect the Combined Group's results of operations and cash flows. Furthermore, Moberly production will largely be competing against imported supply from the United States. Any appreciation of the CAD against the USD may erode Moberly's competitive advantage relative to import sand products. The risks associated with such fluctuations and volatility may be minimised by any currency hedging the Combined Group may undertake although there is no assurance as to the efficacy of such currency hedging.

(h) **Regulatory Risk**

The operations of Heemskirk are subject to various federal, provincial and local laws and plans including those relating to mining, prospecting, development, permit and licence requirements, industrial relations, environment, land use, royalties, water, native title and cultural heritage, land access, mine safety and occupational health.

Approvals, licences and permits required to comply with such rules may, in some instances, be subject to the discretion of the applicable government or government officials, and, in some cases, the local community. No assurance can be given that the Combined Group will be successful in obtaining any or all of the various approvals, licences and permits or maintaining such authorisations in full force and effect without modification or revocation. To the extent such approvals are required and not retained or obtained in a timely manner or at all, the Combined Group may be curtailed or prohibited from continuing or proceeding with production and exploration.

(i) **Insurance Risk**

Heemskirk maintains insurance coverage as determined appropriate by its board and management, but no assurance can be given that Combined Group will continue to be able to obtain such insurance coverage at reasonable rates (or at all), or that any coverage it obtains will be adequate and available to cover all claims.

(j) **Environmental Risk**

Mining and exploration can be potentially environmentally hazardous, giving rise to potentially substantial costs for environmental rehabilitation, damage control and losses. Moberly is subject to environmental laws and regulations in connection with its operations and could be subject to liability due to risks inherent in its activities, including unforeseen circumstances.

9 INVESTMENT RISKS CONTINUED

(k) **Hydraulic Fracturing**

Due to significant public debate surrounding the environmental impacts of hydraulic fracturing, the industry is subject to substantial public and regulatory scrutiny and to rigorous public environmental approval and monitoring processes. The implementation of future regulations and approval processes may impact the market for frac sand products supplied by Moberly.

(l) **Industry Risk**

International oil and gas prices have fluctuated significantly in recent years and may continue to fluctuate significantly in the future. Fluctuations in oil and gas prices and, in particular, a material decline in the price of oil or gas may have a material adverse effect on the Combined Group's business, financial condition and results of operations.

(m) **Counterparty risk**

There is a risk that contracts and other arrangements to which the Bidder or Heemskirk are party to and obtain a benefit will not be performed by the relevant counterparties if those counterparties become insolvent or are otherwise unable to perform their obligations.

(n) **Occupational Health and Safety**

Failure to comply with the necessary health and safety legislative requirements applicable to Moberly could result in fines, penalties and compensation for damages as well as reputational damage.

9.3 RISKS RELATING TO THE OFFER

(a) **Loss of key staff**

The Combined Group's operations will be dependent upon the continued performance, efforts, abilities and expertise of its key personnel. There are no guarantees that the Combined Group will be able to retain these employees or that it will be able to prevent them from competing with the Combined Group in the event of their departure.

(b) **Less than 90% ownership in Heemskirk**

If the Offer results in the Bidder being entitled to a relevant interest in at least 90% of the Heemskirk Shares, the Bidder will be able to compulsorily acquire the balance of the Heemskirk Shares so that Heemskirk will become a wholly-owned subsidiary of the Bidder. The Bidder reserves its rights to declare the Offer free from the minimum acceptance condition (or any other Condition).

However, if the Bidder receives acceptances to attain a relevant interest in at least 50% of the Heemskirk Shares but is not able to proceed to compulsory acquisition, the non-accepting Heemskirk Shareholders will retain their Heemskirk Shares so that Heemskirk will not be a wholly-owned subsidiary of the Bidder. If this occurs, the Combined Group's ability to deal with the assets of Heemskirk will be constrained and there will be further associated costs of having minority shareholders.

(c) **Minority shareholders in Heemskirk**

If you do not accept the Offer and the Offer becomes unconditional, you may, depending on the level of acceptance of the Offer, become part of a locked-in minority in Heemskirk. In such a case, the liquidity of Heemskirk Shares may be materially diminished.

9 INVESTMENT RISKS CONTINUED

(d) **Taxation risks**

The taxation consequences and risks of the Offer depend upon the specific circumstances of each Heemskirk Shareholder. A general outline of possible Australian and Canadian taxation consequences of accepting the Offer is set out in section 8.

Heemskirk Shareholders should obtain their own independent professional taxation advice regarding the applicable law in respect of the Offer.

(e) **Illiquidity**

Bidder Shares will not be listed on any stock exchange and are likely to be illiquid. Heemskirk Shareholders who elect the Share Consideration and receive Bidder Shares may not be able to sell their Bidder Shares for an acceptable price (if at all).

9.4 GENERAL RISK FACTORS

(a) **Government policy and taxation**

Changes in relevant taxation laws, accounting standards, other legal, legislative and administration regimes, and government policies (including government fiscal, monetary and regulatory policies), may have an adverse effect on the assets, operations and, ultimately, the financial performance of the Combined Group. These factors may ultimately affect the Combined Group's financial position.

(b) **General economic conditions**

The operating and financial performance of the Combined Group will be influenced by a variety of general economic conditions and business conditions, including the level of inflation, interest rates and exchange rates and Government fiscal, monetary and regulatory policies. Higher than expected inflation rates generally or specific to the mineral resources sector could be expected to increase operating costs and development costs. A prolonged deterioration in general economic conditions could materially and adversely affect the Combined Group's operations and/or financial position and performance.

(c) **Litigation and disputes**

Disputes or litigation may arise from time to time in the course of business activities. There is a risk that material or costly disputes or litigation could adversely affect the financial performance of the Combined Group.

(d) **Other**

Other factors may impact on an entity's performance including natural disasters, changes or disruptions to political, regulatory, legal or economic conditions or to the national or international financial markets including as a result of a terrorist attack or war.

10

ADDITIONAL INFORMATION

10.1 SUMMARY OF THE IMPLEMENTATION AGREEMENT

The Bidder and Heemskirk entered into an Implementation Agreement in respect of the Offer on 13 February 2017. A summary of certain key terms of the Implementation Agreement is set out below.

(a) Definitions

For the purposes of this section 10.1, the following terms have the meanings given to them below:

Competing Proposal means any proposal, agreement, arrangement, or transaction which, if entered into or completed, would mean that a third party (either alone or with any associate thereof) would:

- (i) for any person who does not hold 20% or more of Heemskirk Shares on the date of Implementation Agreement, directly or indirectly acquire a relevant interest in, or have a right to acquire a legal, beneficial or economic interest in, or control of, 20% or more of the Heemskirk Shares;
- (ii) for any person who holds a greater than 20% interest in Heemskirk Shares on the date of Implementation Agreement, directly or indirectly acquire a relevant interest in, or have a right to acquire a legal, beneficial or economic interest in, or control of, 50% or more of the Heemskirk Shares;
- (iii) acquire control of any member of the Heemskirk Group;
- (iv) otherwise directly or indirectly acquire or merge or be stapled with any member of the Heemskirk Group; and/or
- (v) directly or indirectly acquire or become the holder of, or otherwise acquire or have a right to acquire a legal, beneficial or economic interest in, or control of, all or substantially all of the business or assets of any member of the Heemskirk Group,

whether by way of a takeover bid, scheme, shareholder approved acquisition, capital reduction, buy back, sale or purchase of shares, other securities or assets, assignment of assets or liabilities, incorporated or unincorporated joint venture, dual-listed company (or other synthetic merger), deed of company arrangement, any debt for equity arrangement or other transaction or arrangement.

Exclusivity Period means the period commencing on 13 February 2017 until the earlier of the termination of the Implementation Agreement or 30 July 2017.

Superior Proposal means a bona fide Competing Proposal which the relevant board of the member of the Heemskirk Group, acting in good faith, and after receiving written legal advice from its legal advisers and written advice from its financial advisers, determines:

- (i) is reasonably capable of being completed taking into account all aspects of the Competing Proposal including any timing considerations, any conditions precedent, the identity of the proponent and ability to finance; and
- (ii) would, if completed substantially in accordance with its terms, be more favourable to the Heemskirk Shareholders (as a whole) than any transaction then proposed by the Bidder or any of their related bodies corporate, taking into account all terms and conditions of the Competing Proposal.

(b) Takeover Bid

The Bidder has agreed to make the Offer and each of the Bidder and Heemskirk has agreed to use all reasonable endeavours in order to implement the Offer.

(c) Board Recommendation

Heemskirk has agreed to use all reasonable endeavours to procure its Target's Statement and all public announcements made by Heemskirk in connection with the Offer include a statement by the Heemskirk Board to the effect that they unanimously recommend that the Heemskirk Shareholders accept the Offer in return for the Cash Consideration in the absence of a Superior Proposal and subject to the independent expert concluding that the Offer is fair and reasonable.

10 ADDITIONAL INFORMATION CONTINUED

(d) **Reimbursement Fee**

Heemskirk has agreed to pay a reimbursement fee of \$450,000 (excluding GST) to the Bidder if the Offer does not proceed and any of the following occurs:

- (i) a Competing Proposal is announced during the Offer Period and within 12 months of such announcement, a third party (or its associate);
 - (A) completes a Competing Proposal;
 - (B) enters into an agreement, arrangement or understanding regarding a Competing Proposal; or
 - (C) acquires control of Heemskirk.

The Bidder has agreed to pay a reimbursement fee of \$450,000 (excluding GST) to Heemskirk if it is in material breach of the Implementation Agreement and does not remedy such breach within 5 Business Days of written notification from Heemskirk.

(e) **Exclusivity arrangements**

No shop

Heemskirk has agreed that during the Exclusivity Period neither it, nor any of its related bodies corporate or representatives will directly or indirectly solicit, invite, encourage or initiate any enquiries, negotiations or discussions, or communicate any intention to do any of these things, with a view to obtaining any offer, proposal or expression of interest from any person in relation to a Competing Proposal.

No talk

Heemskirk has agreed that during the Exclusivity Period neither it nor any of its related bodies corporate or representatives will negotiate or enter into or participate in or continue any negotiations or discussions with any other person regarding a Competing Proposal.

However, the “no talk” restriction does not apply in relation to a bona fide Competing Proposal, provided that the Heemskirk Directors have first determined, acting in good faith and based on the opinion of their external legal advisers, that failing to undertake that act would be reasonably likely to constitute a breach of the Heemskirk Board’s fiduciary or statutory obligations.

Notice of approach

During the Exclusivity Period, Heemskirk has agreed to promptly notify the Bidder in writing if it receives any unsolicited approaches with respect to any Competing Proposal, or requests for information relating to Heemskirk which may relate to a Competing Proposal. However, this notification obligation does not apply to the extent that the board of Heemskirk has determined that providing the information would be likely to constitute a breach of any Heemskirk Director’s fiduciary or statutory obligations.

Matching right

Even if Heemskirk is permitted to respond to a bona fide Competing Proposal in the circumstances described above, Heemskirk must not agree to implement that Competing Proposal unless the Bidder has been notified of such transaction and has not within 5 Business Days improved the terms of the Offer so that it matches the terms of the Competing Proposal.

10.2 ASIC RELIEF

ASIC has published various ‘class orders’ instruments providing for modifications and exemptions that apply generally to all persons, including the Bidder, in relation to the operation of chapter 6 of the Corporations Act.

Among others, for the purpose of the Offer, Bidder may rely on the provisions of class order [CO 13/521].

10 ADDITIONAL INFORMATION CONTINUED

10.3 OTHER REGULATORY MATTERS

As announced on 13 February 2017, the Offer required approval of the Foreign Investment Review Board as Taurus BV and the Bidder constitutes a foreign government investor for the purposes of FATA as one or more foreign government related entities from the same country have in aggregate more than a 20% ultimate interest in Taurus BV (the majority holder of the Bidder).

On 17 February 2017, the Bidder obtained approval for the Offer under FATA.

10.4 CONSENTS

This Bidder's Statement includes statements which are made in, or based on statements made in, documents announced on the company announcements platform of ASX by Heemskirk.

No person who has made any of these statements has consented to the statement being included in or accompanying this Bidder's Statement in the form and context in which it is included.

If you would like to receive a copy of any of these documents or publications, please contact Boardroom on 1300 737 760 (within Australia) or +612 9290 9600 (outside of Australia).

Each of the parties named in the table below as consenting parties:

- (a) has given and has not, before the date of this Bidder's Statement, withdrawn its written consent to be named in this Bidder's Statement in the form and context in which it is named;
- (b) has given and has not, before the date of this Bidder's Statement, withdrawn its written consent to the inclusion of their respective statements and reports (where applicable) noted next to their names below, and the references to those statements and reports in the form and context in which they are included in this Bidder's Statement; and
- (c) does not make, or purport to make, any statement in this Bidder's Statement other than those statements referred to below in respect of that party's name (and consented to by that party).

Consenting party	Named as	Statement
King & Wood Mallesons	Australian legal adviser	–
Osler, Hoskins & Harcourt LLP	Canadian and US legal adviser	–
RSM Australia Pty Limited	Tax adviser	See section 8 (Taxation considerations)
Heemskirk Consolidated Limited	Itself	See section 6.2, note (d)
Taurus Funds	Itself	–
Taurus BV	Itself	–
T2 LP	Itself	–
T2 Trust	Itself	–
Boardroom Pty Limited	Itself	–

10 ADDITIONAL INFORMATION CONTINUED

10.5 INTERESTS OF DIRECTORS AND ADVISERS

Background

Other than as set out in this Bidder's Statement:

- (a) no amount has been paid or agreed to be paid and no benefit has been given or agreed to be given to a Bidder Director, or proposed Bidder Director to induce them to become, or to qualify as, a Bidder Director; and
- (b) none of the following persons:
 - (i) a Bidder Director or proposed Bidder Director; or
 - (ii) each person named in this Bidder's Statement as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Bidder's Statement;

holds or held at any time during the last two years an interest in:

- (i) the formation or promotion of the Bidder;
- (ii) property acquired or proposed to be acquired by the Bidder in connection with the formation or promotion of the Bidder or the Offer; or
- (iii) the Offer,

or was paid or given or agreed to be paid or given any amount or benefit for services provided by such persons in connection with the formation or promotion of the Bidder or the Offer.

Bidder Directors' interests

Immediately before the lodgement of this Bidder's Statement with ASIC, no Bidder Director holds any interest in the Bidder (directly or otherwise).

As at the date of this Bidder's Statement, no Bidder Director receives any remuneration for acting in such capacity. The Bidder intends to implement a remuneration policy after completion of the Offer in accordance with the terms of the Unanimous Shareholders Agreement.

Adviser's interests

King & Wood Mallesons has acted as Australian legal adviser to the Bidder Group in connection with the Offer. The Bidder Group has paid or has agreed to pay approximately \$315,000 in relation to these services to the date of this Bidder's Statement. Further amounts may be paid to King & Wood Mallesons in accordance with its time-based charges.

Osler, Hoskin & Harcourt LLP has acted as Canadian and US legal advisers to the Bidder Group in connection with the establishment of the Bidder and the Offer. The Bidder Group has paid or has agreed to pay approximately C\$75,000 in relation to these services to the date of this Bidder's Statement. Further amounts may be paid to Osler, Hoskin & Harcourt LLP in accordance with its time-based charges.

RSM Australia Pty Limited has acted as tax and accounting advisers to the Bidder Group in connection with the Offer. The Bidder Group has paid or has agreed to pay approximately \$40,000 in relation to these services to the date of this Bidder's Statement. Further amounts may be paid to RSM Australia Pty Limited in accordance with its time-based charges.

The Bidder anticipates that it will incur approximately a further \$70,000 of costs in connection with the Offer for typesetting, mailhouse and printing services.

10 ADDITIONAL INFORMATION CONTINUED

10.6 CONTINUOUS DISCLOSURE

If one hundred or more Heemskirk Shareholders accept the Offer in return for the Share Consideration, the Bidder will be an 'unlisted disclosing entity' as defined in the Corporations Act and will be subject to the continuous disclosure requirements set out in section 675 of the Corporations Act.

In such a case, the Bidder will comply with its continuous disclosure obligations regarding new material information by uploading that information to the Bidder's website (www.northernsilica.com) in accordance with ASIC's good practice guidance contained in Regulatory Guide 198 (*Unlisted disclosing entities: continuous disclosure obligations*).

10.7 REGISTER DATE

In accordance with section 633(2) of the Corporations Act, the Bidder has determined that the date for determining holders of securities is 13 March 2017.

10.8 POTENTIAL FOR WAIVER OF DEFEATING CONDITIONS

The Offer is subject to limited and customary Conditions (set out in Appendix 2). Under the terms of the Offer and the Corporations Act, any or all of those defeating conditions may be waived by the Bidder.

If an event occurs which results (or would result) in the non-fulfilment of a defeating condition, the Bidder might not make a decision as to whether it will either rely on that occurrence, or instead waive the defeating condition in respect of that occurrence, until the date for giving notice as to the status of the conditions of the Offer under section 630(3) of the Corporations Act. If the Bidder decides that it will waive a defeating condition, it will announce that decision on the ASX in accordance with section 650F of the Corporations Act.

If any of the defeating conditions is not fulfilled, and Bidder decides to rely on that non-fulfilment, then any contract resulting from acceptance of the Offer will become void at (or, in some cases, shortly after) the end of the Offer Period, and the relevant Heemskirk Shares will be returned to the holder.

10.9 STATUS OF DEFEATING CONDITIONS

The Offer is subject to a number of Conditions (set out in Appendix 2). The Bidder will provide updates on any material developments relating to the status of these conditions during the Offer Period.

As at the date of this Bidder's Statement, the Bidder is not aware of any events or circumstances which would result in the non-fulfilment of any of the defeating conditions. If the defeating conditions in Appendix 2 are not fulfilled or waived, then no contract will be capable of arising at all from the acceptance of the Offer.

10.10 OTHER MATERIAL INFORMATION

Except as disclosed in this Bidder's Statement, there is no other information that is:

- (a) material to the making of a decision by a Heemskirk Shareholder whether or not to accept the Offer; and
- (b) known to Bidder,

and has not previously been disclosed to Heemskirk Shareholders.

11 GLOSSARY

11.1 DEFINITIONS

The following defined terms are used throughout this Bidder's Statement unless the contrary intention appears or the context requires otherwise:

Term	Definition
Acceptance Form	means your personalised form of acceptance and transfer accompanying the Offer or any replacement or substitute acceptance form provided by or on behalf of the Bidder.
API	means American Petroleum Institute.
Announcement Date	means 13 February 2017, being the date of announcement of the Offer.
ASIC	means Australian Securities and Investments Commission.
ASX	means ASX Limited or Australian Securities Exchange, as appropriate.
ASX Settlement Operating Rules	means the settlement rules of ASX.
Bidder	means Northern Silica Corporation, a Canadian private corporation incorporated under the Business Corporations Act (Alberta) whose corporate access number is 2020084675 and whose registered office address is 2500, 450 – 1st Street SW, Calgary, Alberta, T2P 5H1.
Bidder Directors	means the directors of the Bidder which, at the date of this Bidder's Statement, are Martin Boland, Stuart Love and Frank Turner.
Bidder Group	means the Bidder and its Related Bodies Corporate.
Bidder Share	means 1 common share in the share capital of the Bidder and the Bidder Shares means all of them.
Bidder's Articles	means the articles of association of the Bidder in effect as at the date of this Bidder's Statement.
Bidder's Statement	means this document, being the statement of the Bidder under Part 6.5 Division 2 of the Corporations Act relating to the Offer.
Bidder's Takeover Transferee Holding	means the holding of Heemskirk Shares on the CHESS subregister of the Bidder established for the purposes of the Offer.
Boardroom	means Boardroom Pty Limited.
Broker	means a person who is a share broker and a participant in CHESS.
Business Day	means a day on which banks are open for general banking business in Sydney (not being a Saturday, Sunday or public holiday in that place).
Cash Consideration	means the cash amount (if any) that a Heemskirk Shareholder is entitled to elect to receive under the Offer determined in accordance with paragraphs 2.1 and 2.4 of the Offer Terms.
CHESS	means the Clearing House Electronic Subregister System, which provides for electronic share transfer in Australia.

11 GLOSSARY CONTINUED

Term	Definition
CHESS Holding	means a holding of Heemskirk Shares on the CHESS subregister of Heemskirk.
Combined Group	means the Heemskirk Group and the Bidder Group
Conditions	means the conditions to the Offer as set out in Appendix 2.
Controlling Participant	means the Broker or Participant who is designated as the controlling participant for shares in a CHESS Holding in accordance with the ASX Settlement Operating Rules.
Corporations Act	means the <i>Corporations Act 2001</i> (Cth).
Defaulting Shareholder	has the meaning given to that term in section 2.3.
Designated Director	has the meaning given to that term in section 2.3.
Drag Along Offer	has the meaning given to that term in section 2.3.
Employee Securities	means any entitlement of a person to be issued Employee Shares under the Employee Share Plan (upon the satisfaction of any vesting condition) and the Employee Rights to Acquire.
Employee Shares	means the unvested shares held by the trustee of the Employee Share Plan.
Employee Share Plan	means the equity incentive plan as adopted by, and amended from time to time, by the Heemskirk Group.
Employee Rights to Acquire	means the vested and unvested rights to acquire shares in Heemskirk granted to employees of the Heemskirk Group.
Encumbrances	<p>means any:</p> <ul style="list-style-type: none"> (a) security for the payment of money or performance of obligations, including a mortgage, charge, lien, pledge, trust, option, right of pre-emption, power, title retention, or flawed deposit arrangement; or (b) right, interest or arrangement which has the effect of giving another person a preference, priority or advantage over creditors including any right of set-off; or (c) right that a person (other than the owner) has to remove something from land (known as a profit à prendre), easement, public right of way, restrictive or positive covenant, lease, or licence to use or occupy; or (d) third party right or interest or any right arising as a consequence of the enforcement of a judgment, <p>or any agreement to create any of them or allow them to exist.</p>
Facility Amount	has the meaning given to that term in section 4.8.
FATA	means the <i>Foreign Acquisitions and Takeovers Act 1974</i> (Cth).
Guarantors	has the meaning given to that term in section 4.8.
Heemskirk	means Heemskirk Consolidated Limited, a company incorporated in Australia (ACN 106 720 138).
Heemskirk Directors	means Garry I Cameron, John Charles Taylor and Peter Maxwell John McKenna.

11 GLOSSARY CONTINUED

Term	Definition
Heemskirk Group	means Heemskirk and each of its Subsidiaries.
Heemskirk Shares	means fully or partly paid ordinary shares in the capital of Heemskirk.
Heemskirk Shareholders	means holders of Heemskirk Shares
HIN	means a Holder Identification Number, which is the number that starts with an “X”, allocated by your Controlling Participant, to identify a Heemskirk Shareholder with a CHESS Holding.
Implementation Agreement	means the takeover implementation agreement between the Bidder and Heemskirk dated 13 February 2017.
Ineligible Foreign Shareholder	means a Heemskirk Shareholder whose address as shown on the Register is in a jurisdiction other than Australia, its external territories or New Zealand, unless the Bidder otherwise determines after being satisfied that it is not unlawful, not unduly onerous and not unduly impracticable to pay the Share Consideration to a Heemskirk Shareholder in the relevant jurisdiction and for the Bidder Shares to be issued to such Heemskirk Shareholder, and that it is not unlawful for such a Heemskirk Shareholder to accept the Offer in return for the Share Consideration in such circumstances in the relevant jurisdiction.
Initiating Sellers	has the meaning given to that term in section 2.3.
Issuer Sponsored Holding	means a holding of Heemskirk Shares on Heemskirk’s issuer sponsored subregister.
Listing Rules	means the Listing Rules of the ASX.
Moberly or Moberly Project	means the Moberly frac sand project located in Golden, British Columbia.
Moberly Stage 1	means development of the Moberly Project to a targeted production capacity of approximately 300,000 tonnes per annum of saleable frac sand products.
Moberly Stage 2	means potential expansion of the Moberly Project to a targeted production capacity of approximately 600,000 tonnes per annum of saleable frac sand products.
Nominee	means the nominee for Ineligible Foreign Shareholders approved by ASIC.
NPV	means net present value.
Offer	means the offer by the Bidder on the Offer Terms to acquire Heemskirk Shares (and for the avoidance of doubt includes each such offer made to an individual Heemskirk Shareholder pursuant to that offer).
Offer Consideration	means the Cash Consideration or the Share Consideration, as defined in paragraph 2.1 of the Offer Terms.
Offer Period	means the period commencing on [●] and ending on [●], or such later date to which the Offer has been extended.
Offer Terms	means the terms and conditions of the Offer set out in Appendices 1 and 2 to this Bidder’s Statement.
Participant	means a participant under the ASX Settlement Operating Rules.
Proposing Transferor	has the meaning given to that term in section 2.3.

11 GLOSSARY CONTINUED

Term	Definition
Register	means the Heemskirk share register as provided to the Bidder's share registrar, Boardroom Pty Ltd.
Register Date	means 7pm on 13 March 2017, being date set by the Bidder under section 633(2) of the Corporations Act.
Related Bodies Corporate	has the meaning set out in section 50 of the Corporations Act.
Residual Silica	has the meaning given to that term in section 4.5.
Rights	means all accretions, rights or benefits of whatever kind attaching to or arising from Heemskirk Shares directly or indirectly after the date of this Bidder's Statement, including, but not limited to, all dividends or other distributions and all rights to receive any dividends or other distributions, or to receive or subscribe for shares, stock units, notes, bonds, options or other securities, declared, paid or made by Heemskirk or any of its subsidiaries.
ROM	means run of mine.
RSM	means RSM Australia Pty Limited.
Senior Facility Agreement	means the US\$40 million secured facility agreement dated 15 July 2015 between HCA Mountain Minerals (Moberly) Limited (a company incorporated in British Columbia), the entities listed in Part I of Schedule 1 as original guarantors, Taurus Funds Management Pty Limited as trustee for Taurus Resources No. 2 L.P and Taurus Funds Management Pty Limited as trustee for Taurus Resources No.2 Trust, as amended and novated to Taurus Resources No. 2 B.V. by the agreement entitled "HCA Mountain Minerals (Moberly) US\$40 million Secured Facility Agreement – Novation and Amendment Deed 1" dated 10 February 2016.
Share Consideration	means the Bidder Shares that a Heemskirk Shareholder is entitled to elect to receive under the Offer as part of the consideration under the Offer determined in accordance with paragraph 2.1 of the Offer Terms.
SRN	means a Security Reference Number, which is the number which starts with an "I", allocated by Heemskirk to identify a Heemskirk Shareholder with an Issuer Sponsored Holding.
Subsidiary	means a subsidiary as that term is defined in the Corporations Act, and Heemskirk Subsidiary means a subsidiary of Heemskirk.
Target's Statement	means the target's statement to be issued by Heemskirk in response to this Bidder's Statement in accordance with the Corporations Act.
Taurus BV	means Taurus Resources No. 2 BV.
Taurus Working Capital Facility	has the meaning given to that term in section 4.8.
Tranche 1	has the meaning given to that term in section 4.8.
Tranche 2	has the meaning given to that term in section 4.8.
T2 Fund	means the T2 LP and T2 Trust together.
T2 LP	means Taurus Resources No. 2, L.P.

11 GLOSSARY CONTINUED

Term	Definition
T2 Trust	means Taurus Resources No. 2 Trust.
US Securities Act	means the <i>United States Securities Act of 1933</i> as amended.
U.S. Accredited Investor	has the meaning given to that term in the 'Important Information' section of this Bidder's Statement.
U.S. Qualified Investor	has the meaning given to that term in the 'Important Information' section of this Bidder's Statement.
Unanimous Shareholders Agreement	means the unanimous shareholders agreement in respect of the Bidder.
VWAP	means the volume weighted average price.
WCSB	means Western Canadian Sedimentary Basin.
WCF Facility Amount	has the meaning given to that term in section 4.8.

11.2 GENERAL INTERPRETATION

The following rules of interpretation apply unless the contrary intention appears or the context requires otherwise:

- (a) A reference to time is a reference to Sydney time.
- (b) Headings are for convenience only and do not affect interpretation.
- (c) The singular includes the plural and conversely.
- (d) A reference to a section is to a section of this Bidder's Statement.
- (e) A reference to a paragraph is to a paragraph of an Appendix of this Bidder's Statement.
- (f) A gender includes all genders.
- (g) Where a word or phrase is defined, its other grammatical forms have a corresponding meaning.
- (h) \$, or cents is a reference to the lawful currency in Australia, unless otherwise stated.
- (i) CAD or C\$ is a reference to the lawful currency of Canada, unless otherwise stated.
- (j) USD or US\$ is a reference to the lawful currency of the United States of America, unless otherwise stated.
- (k) A reference to a person includes a body corporate, an unincorporated body or other entity and conversely.
- (l) A reference to a person includes a reference to the person's executors, administrators, successors, substitutes (including, but not limited to, persons taking by novation) and assigns.
- (m) A reference to any legislation or to any provision of any legislation includes any modification or re-enactment of it, any legislative provision substituted for it and all regulations and statutory instruments issued under it.
- (n) A reference to any instrument or document includes any variation or replacement of it.
- (o) A term not specifically defined in this Bidder's Statement has the meaning given to it (if any) in the Corporations Act or the ASX Settlement Operating Rules, as the case may be.
- (p) A reference to a right or obligation of any two or more persons confers that right, or imposes that obligation, as the case may be, jointly and individually.
- (q) A reference to you is to a person to whom the Offer is made under Appendix 1 to this Bidder's Statement.

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APPROVAL OF THE BIDDER'S STATEMENT

The copy of this Bidder's Statement that is to be lodged with ASIC has been approved by a resolution passed by the directors of the Bidder on 13 March 2017.

Signed by Martin Boland of the Bidder in accordance with section 351 of the Corporations Act.



Martin Boland

Director

13 March 2017

APPENDIX 1 – FORMAL TERMS OF THE OFFER

1 THE OFFER

The Bidder offers to acquire all of your Heemskirk Shares, together with all Rights attaching to them, on the following terms and conditions. The Offer relates to Heemskirk Shares that exist at the Register Date and extends to any Heemskirk Shares that come into existence at any time between the Register Date and the end of the Offer Period as a result of the conversion of any Heemskirk securities or the vesting of any Employee Securities.

You may only accept this Offer for all of your Heemskirk Shares.

By accepting this Offer, you undertake to transfer to the Bidder not only the Heemskirk Shares to which this Offer relates but also all Rights attached to those Heemskirk Shares (see paragraphs 6.5 and 6.6).

2 CONSIDERATION

2.1 Consideration offered

Heemskirk Shareholders will be offered the option to elect one of the following forms of consideration in return for each fully paid Heemskirk Share:

- (a) \$0.075 cash (adjusted as described below) (the “**Cash Consideration**”); or
- (b) 1 Bidder Share (the “**Share Consideration**”).

However, in accordance with paragraphs 6.5 and 6.6, the amount of Cash Consideration you receive directly from the Bidder may be reduced by the amount or value of any Rights attaching to Heemskirk Shares which you (or any previous holder of your Heemskirk Shares) receive, including any dividend declared by Heemskirk.

2.2 Ineligible Foreign Shareholders

Subject to receipt of any relevant ASIC relief, if at the time this Offer is made to you, you are an Ineligible Foreign Shareholder, you are not entitled to be offered or to receive the Bidder Shares as consideration under the Offer. If you elect to receive Share Consideration, the Bidder Shares which would otherwise be issued to Ineligible Foreign Shareholders who accept the Offer will instead be issued to a Nominee as outlined in paragraph 6.3 below.

2.3 Ranking of the Bidder Shares

The Bidder Shares to be issued under the Offer will be issued fully paid and will rank equally in all respects with all the other Bidder Shares currently on issue.

2.4 Distribution and entitlements

- (a) The Bidder will be entitled to all distributions and entitlements declared, paid or made by Heemskirk or which arise or accrue after the Announcement Date in respect of the Heemskirk Shares which the Bidder acquires pursuant to this Offer.
- (b) If for any reason whatsoever the Bidder does not receive any such distributions or entitlements, the Bidder will, to the extent permitted by applicable law, be entitled to reduce the amount of Cash Consideration to which you would otherwise be entitled in accordance with this Offer by the amount or value (as reasonably determined by the Bidder) of the distribution or entitlement.

2.5 Partly-paid Heemskirk Shares

If your Heemskirk Shares are partly paid and you elect to receive the Cash Consideration, the amount of Cash Consideration you will be entitled to receive (subject to adjustment under any other provision of this Offer) will be \$0.075 multiplied by the proportion the amount paid up on your partly-paid shares bears to the total amount payable.

If you elect to receive the Share Consideration, then (subject to paragraph 2.6) you will receive a number of Bidder Shares equal to the aggregate number of partly paid Heemskirk Shares you hold multiplied by the proportion which the amount paid up on your partly paid Heemskirk Shares bears to the total amount payable.

APPENDIX 1 – FORMAL TERMS OF THE OFFER CONTINUED

2.6 Rounding

If you elect to receive the Share Consideration and become entitled to a fraction of a Bidder Share, that fraction will be rounded down to the nearest whole Bidder Share (even if the result is zero).

3 OFFER PERIOD

This Offer will, unless withdrawn, remain open for acceptance during the period commencing on the date of this Offer, being [•] March 2017 and ending at 7pm (Sydney time) on:

- (a) [•] 2017; or
- (b) any date to which the Offer Period is extended in accordance with the Corporations Act, whichever is the later.

4 OFFICIAL QUOTATION OF THE BIDDER SHARES

No application has been made for the listing of the Bidder Shares on a stock market or a securities exchange, either in Australia or elsewhere. The Bidder does not represent or imply that the Bidder Shares will be rated, or quoted on any stock market, and this Offer is not conditional on any such rating or quotation.

5 HOW TO ACCEPT THIS OFFER

5.1 Acceptance Forms

Acceptances must be received in the manner specified below prior to the close of the Offer Period at 7pm Sydney time on [•] 2017, unless extended (and in the case of any acceptance in respect of a CHESS Holding lodged at or sent to an address as indicated under paragraph 5.3(g), before 7pm on the second last Business Day of the Offer Period in accordance with paragraph 5.3(b)(iii)).

5.2 All of your holding

This Offer is for all of your Heemskirk Shares.

5.3 Acceptance procedure for Heemskirk Shareholders

How you accept this Offer depends on whether your Heemskirk Shares are held in a CHESS Holding or an Issuer Sponsored Holding (your personalised Acceptance Form outlines which type of holding you have):

- (a) **If you hold your Heemskirk Shares in a CHESS Holding** (your HIN starts with an "X") you must comply with the ASX Settlement Operating Rules. To accept this Offer you must either:
 - (i) instruct your Controlling Participant (usually your broker) to initiate acceptance of the Offer on your behalf in accordance with Rule 14.14 of the ASX Settlement Operating Rules in sufficient time for the Offer to be accepted before the end of the Offer Period; or
 - (ii) complete and sign your personalised Acceptance Form and send it (together with all other documents required by the instructions on the form) directly to your Controlling Participant (usually your broker) in sufficient time for the Offer to be accepted before the end of the Offer Period with instructions to initiate acceptance of the Offer on your behalf in accordance with Rule 14.14 of the ASX Settlement Operating Rules before the end of the Offer Period; or
 - (iii) complete, sign and return your personalised Acceptance Form and lodge it by returning it to an address as indicated under paragraph 5.3(g) so that your acceptance is received before 7pm on the second last Business Day of the Offer Period. This will authorise the Bidder to instruct your Controlling Participant (usually your broker) to initiate acceptance of the Offer on your behalf.

APPENDIX 1 – FORMAL TERMS OF THE OFFER CONTINUED

- (c) **If you are a Broker or a Participant**, to accept the Offer you must initiate acceptance in accordance with the requirements of the ASX Settlement Operating Rules before the end of the Offer Period.
- (d) **If you hold your Heemskirk Shares in an Issuer Sponsored Holding (your SRN starts with an “I”)**
If your Heemskirk Shares are in an Issuer Sponsored Holding, to accept the Offer you must **complete and sign** your personalised Acceptance Form in accordance with the instructions on it and lodge it by returning it (together with all other documents required by the instructions on your personalised Acceptance Form) to an address as indicated under paragraph 5.3(g) so that your acceptance is received before the end of the Offer Period.
- (e) **If some of your Heemskirk Shares are held in a number of forms**
If some of your Heemskirk Shares are in different holdings, your acceptance of the Offer will require action under paragraphs 5.3(a) and 5.3(d) in relation to the separate portions of your Heemskirk Shares.
- (f) **Beneficial owners**
Beneficial owners whose Heemskirk Shares are registered in the name of a broker, investment dealer, bank, trust company or other nominee should contact that nominee for assistance in accepting the Offer.
- (g) **Postal and delivery addresses**
The postal and delivery addresses for completed Acceptance Forms are as follows.
The postal address is:
Heemskirk Consolidated Limited Offer
C/O Boardroom Pty Limited
GPO Box 3993
Sydney NSW 2001
Alternatively you may deliver your personalised Acceptance Form and any associated documents in person to:
Heemskirk Consolidated Limited Offer
Boardroom Pty Limited
Level 12
225 George Street
Sydney NSW 2000
If you hold your Heemskirk Shares in an Issuer Sponsored Holding, a reply paid envelope (not able to be used by Heemskirk Shareholders outside Australia) is enclosed for your convenience.
If you are a Heemskirk Shareholder within Australia a reply paid envelope is enclosed for your convenience.
The transmission of your personalised Acceptance Form and other documents is at your own risk.
- (h) **Acceptance Form**
Your personalised Acceptance Form which accompanies the Offer forms part of it. Subject to paragraph 5.5, the requirements on your personalised Acceptance Form must be observed in accepting the Offer in respect of your Heemskirk Shares.

5.4 Power of attorney, deceased estate

When accepting the Offer, you should also forward for inspection:

- (a) if your personalised Acceptance Form is executed by an attorney, a certified copy of the power of attorney; and
- (b) if your personalised Acceptance Form is executed by the executor of a will or the administrator of the estate of a deceased Heemskirk Shareholder, a certified copy of the relevant grant of probate or letters of administration.

APPENDIX 1 – FORMAL TERMS OF THE OFFER CONTINUED

5.5 When acceptance is complete

Acceptance of the Offer will not be complete until a completed Acceptance Form has been received at one of the addresses set out in paragraph 5.3(g) and the requirements of paragraph 5 have otherwise been met, provided that:

- (a) the Bidder may in its sole discretion and without notice to you waive any or all of those requirements at any time (including but not limited to requirements in relation to the manner or method of acceptance, or the deadline for receipt of acceptances specified under paragraph 5.3(a)(iii)); and
- (b) where such requirements have been complied with in respect of some but not all of your Heemskirk Shares, the Bidder may, in its sole discretion, deem your acceptance of the Offer complete in respect of those Heemskirk Shares for which the requirements have been complied with but not in respect of the remainder (unless the Bidder waives those requirements in accordance with paragraph 5.5(a)).

Where the Bidder elects to waive any requirement of this paragraph 5, your acceptance of the Offer will be complete regardless of any failure by you to comply with the waived requirement.

6 PAYMENT FOR YOUR HEEMSKIRK SHARES

6.1 How payment for your Heemskirk Shares will be made

- (a) **Share Consideration:** if you elect to receive the Share Consideration, the obligation of the Bidder to procure the issue and allotment of the Bidder Shares to which you are entitled under the Offer will be satisfied by the Bidder entering your name on the Bidder share register and dispatching or procuring the dispatch to you of a share certificate for your Bidder Shares in your name.
- (b) **Cash Consideration:** if you elect to receive the Cash Consideration, payment of the cash amount to which you are entitled under the Offer will be made by cheque (or otherwise as determined by the Bidder) in Australian currency.
- (c) **Address:** anything to be dispatched to you under this paragraph 6.1 will be sent to you at your own risk by pre-paid ordinary mail or, in the case of addresses outside Australia, by pre-paid airmail, to your address as shown on the Register (or such other address as you may notify in writing to the Bidder).
- (d) **Joint holdings:** if your Heemskirk Shares are held in a joint name, the cheque or the Bidder Share certificate will be issued in the name of the joint holders and forwarded to the address that appears first in the Register.

6.2 When consideration is paid

Subject to paragraph 6.3, if the contract resulting from your acceptance of the Offer becomes unconditional, the Bidder will provide the Cash Consideration or the Share Consideration to which you are entitled on acceptance of the Offer on or before the earlier of:

- (a) one month after the date the Offer is validly accepted by you or, if the Offer is subject to a defeating condition when accepted, within one month after the Offer or the contract resulting from your acceptance of the Offer becomes unconditional; and
- (b) 21 days after the end of the Offer Period provided that the Offer has become unconditional.

APPENDIX 1 – FORMAL TERMS OF THE OFFER CONTINUED

6.3 Payments to Ineligible Foreign Shareholders

Subject to any relevant ASIC relief, if you accept the Offer and you are an Ineligible Foreign Shareholder, in respect of any the Bidder Shares which you would have become entitled to receive under paragraph 2.1 but for paragraph 2.2, the Bidder will:

- (a) arrange for the issue to the Nominee of the number of the Bidder Shares to which you and all other Ineligible Foreign Shareholders would have become entitled to receive as the Share Consideration as a result of acceptance of the Offer in return for the Share Consideration but for paragraph 2.4(b);
- (b) cause the Nominee to offer for sale the Bidder Shares within 10 Business Days after the end of the Offer Period in such manner, at such price and on such other terms and conditions as are determined by the Nominee;
- (c) pay to you the amount calculated in accordance with the following formula:

$$\frac{\text{Net Proceeds of Sale} \times \text{Your Bidder Shares}}{\text{Total Nominees Shares}}$$

Where:

"Net Proceeds of Sale" is the amount the Nominee receives on sale of all the Bidder Shares issued to the Nominee under paragraph 6.3(a), less brokerage and other sale expenses;

"Your Bidder Shares" is the number of the Bidder Shares which the Bidder would otherwise be required to issue to you as part of the Offer Consideration but for paragraph 2.2; and

"Total Nominee Shares" is the total number of Bidder Shares issued to the Nominee under paragraph 6.3(a);

- (d) payment will be made by cheque in Australian currency as soon as practicable after settlement of the sale by the Nominee of the Total Nominee Shares. The Net Proceeds of Sale, if in a currency other than Australian currency, will be converted to Australian currency at the time of payment using the relevant exchange rate for value on the date of payment. The cheque will be posted to you at your risk by pre-paid airmail to your address as shown on the Register (or such other address as you may notify in writing to the Bidder). If your Heemskirk Shares are held in a joint name, the cheque will be issued in the name of the joint holders and forwarded to the address that appears first in the Register; and
- (e) under no circumstances will interest be paid on your share of the proceeds of this sale, regardless of any delay in remitting these proceeds to you.

Notwithstanding anything else in the Bidder's Statement or these Offer Terms, the Bidder is under no obligation to spend any money, or undertake any action, in order to satisfy themselves of the eligibility of Ineligible Foreign Shareholders to receive the Bidder Shares as set out in this paragraph 6.3.

6.4 Where additional documents are required

Where your personalised Acceptance Form or any subsequent request from the Bidder requires additional documents to be given with your acceptance (such as a certified copy of any of a power of attorney, grant of probate or letters of administration, or any other document requested by the Bidder to give better effect to your acceptance):

- (a) if the documents are given with your acceptance, the Bidder will provide the relevant Offer Consideration in accordance with paragraph 6.1 or 6.2;

APPENDIX 1 – FORMAL TERMS OF THE OFFER CONTINUED

- (b) if the documents are given after acceptance and before the end of the Offer Period and the Offer is subject to a defeating condition at the time that the Bidder is given the documents, the Bidder will provide the relevant Offer Consideration by the end of whichever of the following periods ends earlier:
 - (i) one month after the contract resulting from your acceptance of the Offer becomes unconditional; and
 - (ii) 21 days after the end of the Offer Period; or
- (c) if the documents are given after acceptance and before the end of the Offer Period and the Offer is unconditional at the time that the Bidder is given the documents, the Bidder will provide the Offer Consideration by the end of whichever of the following periods ends earlier:
 - (i) one month after the Bidder is given the documents; and
 - (ii) 21 days after the end of the Offer Period; or
- (d) if the documents are given after the end of the Offer Period, the Bidder will provide the Offer Consideration within 21 days after the documents are given; but if at the time the Bidder is given the documents, the contract resulting from your acceptance of the Offer is still subject to one or more of the conditions referred to in paragraph (g) (*Prescribed Occurrences*) of Appendix 2, the Bidder will provide the Offer Consideration within 21 days after that contract becomes unconditional.

If you do not provide the Bidder with the required additional documents within one month after the end of the Offer Period, the Bidder may, in its sole discretion, rescind the contract resulting from your acceptance of the Offer.

6.5 Where the Bidder is entitled to any Rights

If the Bidder becomes entitled to any Rights as a result of your acceptance of this Offer, it may require you to give the Bidder all documents necessary to vest those Rights in the Bidder or otherwise to give the Bidder the benefit or value of those Rights. If you do not give those documents to the Bidder, or if you have received the benefit of those Rights, then the Bidder may deduct from the Offer Consideration otherwise due to you the amount (or value, as reasonably assessed by the Bidder) of those Rights in accordance with paragraph 6.6.

6.6 Rights generally

If:

- (a) you have (or any previous holder of your Heemskirk Shares has) received the benefit of any Rights (whether in respect of non-cash benefits or otherwise); or
- (b) you are (or any previous holder of your Heemskirk Shares is) entitled to receive the benefit of any Rights under the terms that provide for or otherwise apply to those Rights (for example, if the Right is to receive a dividend, if you are (or any previous holder of your Heemskirk Shares is) the registered holder of the share at the specified time for determining those entitled to the dividend); or
- (c) your Heemskirk Shares were issued (or otherwise came into existence) on or after the specified time for determining entitlements in respect of any Rights to Heemskirk Shareholders,

then:

- (d) in the case of Rights to non-cash benefits, the Bidder may deduct the value (as reasonably assessed by the Bidder) of such Rights from any Offer Consideration otherwise payable to you; or
- (e) in the case of Rights to cash benefits, the Bidder may deduct the amount of such Rights from any Offer Consideration otherwise payable to you.

If the Bidder does not, or cannot, make such a deduction, you must pay such value or amount to the Bidder.

APPENDIX 1 – FORMAL TERMS OF THE OFFER CONTINUED

6.7 Power of attorney

If you elect the Share Consideration, you also appoint the Bidder as your attorney for the purpose of executing the Unanimous Shareholders Agreement on your behalf as described in section 2.3 of this Bidder's Statement.

6.8 Clearances for offshore residents

If, at the time of acceptance of the Offer, any consent, authority or clearance is required for you to receive any consideration under the Offer including, but not limited to consent, authority or clearance of:

- (a) the Minister for Foreign Affairs (whether under the *Charter of the United Nations Act 1945* (Cth), the *Charter of the United Nations (Terrorism and Dealings with Assets) Regulations 2002* or any other regulations made thereunder, or otherwise);
- (b) the Reserve Bank of Australia (whether under the *Banking (Foreign Exchange) Regulations 1959* (Cth) or otherwise); or
- (c) the Australian Taxation Office,

then acceptance of the Offer will not create or transfer to you any right (contractual or contingent) to receive (and you will not be entitled to receive) any consideration under the Offer unless and until all such consents, authorities or clearances have been obtained by the Bidder.

7 CONDITIONS OF THE OFFER

7.1 Conditions

The Offer and the contract that results from acceptance of the Offer are subject to fulfilment of the conditions set out in Appendix 2.

7.2 Nature of conditions

Each of the conditions set out in each paragraph and subparagraph of Appendix 2:

- (a) constitutes and will be construed as a separate, several and distinct condition;
- (b) is a condition subsequent with the exception of the conditions specified in paragraph (a) of Appendix 2, which is a condition precedent – any contract resulting from acceptance of the Offer will not become binding unless and until the condition in paragraph (a) of Appendix 2 is fulfilled; and
- (c) until the expiration of the Offer Period (or in the case of the conditions referred to in paragraph (g) (*Prescribed Occurrences*) of Appendix 2, until three Business Days after the end of the Offer Period) will be for the benefit of the Bidder alone and may be relied upon only by the Bidder.

7.3 90% Minimum Acceptance Condition

The condition specified in paragraph (a) of Appendix 2 is a condition precedent. Any contract resulting from acceptance of the Offer will not become binding unless and until the condition in paragraph (a) of Appendix 2 is fulfilled. The Bidder intends not to waive this condition, but reserves the right to do so in its sole discretion.

7.4 Effect of breach or non-fulfilment

The breach or non-fulfilment of any of the conditions subsequent set out in Appendix 2 does not, until the end of the Offer Period, prevent a contract arising to acquire your Heemskirk Shares resulting from your acceptance of the Offer but, if at the end of the Offer Period (or, in the case of the conditions in paragraph (g) (*Prescribed Occurrences*) of Appendix 2, at the end of three Business Days after the end of the Offer Period), in respect of any condition in Appendix 2:

- (a) the Bidder has not declared the Offer (and it has not become) free from that condition; and
- (b) that condition has not been fulfilled,

APPENDIX 1 – FORMAL TERMS OF THE OFFER CONTINUED

all contracts resulting from the acceptance of the Offer and all acceptances that have not resulted in binding contracts are void. In such a case, the Bidder will notify ASX of the lapse of the Offer in accordance with Rule 14.19 of the ASX Settlement Operating Rules.

7.5 Best endeavours in relation to conditions

The Bidder will:

- (a) use its best endeavours to procure that each of the Conditions in paragraph (b) of Appendix 2 are satisfied; and
- (b) not do or omit to do anything for the purpose of causing a breach of any such Condition.

7.6 The Bidder may decide the Offer is free from all or any of the conditions

The Bidder may at any time at its sole discretion, but in compliance with the Corporations Act, declare the Offer free from all or any of the conditions set out in each paragraph and subparagraph of Appendix 2 by notice in writing to Heemskirk:

- (a) in the case of the conditions referred to in paragraph (g) (*Prescribed Occurrences*) of Appendix 2 – not later than three Business Days after the end of the Offer Period; or
- (b) in any other case – not later than seven days before the end of the Offer Period.

7.7 Date for giving notice on status of conditions

The date for giving a notice on the status of the conditions as required by section 630(1) of the Corporations Act is [•] 2017, subject to variation in accordance with section 630(2) of the Corporations Act in the event that the Offer Period is extended.

8 EFFECT OF ACCEPTANCE

8.1 Revocation of acceptance

Once you have accepted the Offer, you will be unable to revoke your acceptance and the contract resulting from your acceptance will be binding on you. In addition, you will be unable to withdraw your acceptance of the Offer or otherwise dispose of your Heemskirk Shares, except as follows:

- (a) if, by the times specified in section 8.2, the conditions in Appendix 2 have not all been fulfilled or waived, then this Offer will automatically terminate and your Heemskirk Shares will be returned to you; or
- (b) if the Offer Period is varied in a way that postpones for more than one month the time when the Bidder has to meet its obligations under the Offer and, at that time, this Offer is subject to one or more of the conditions in Appendix 2, then you may be able to withdraw your acceptance in accordance with section 650E of the Corporations Act.

8.2 Times

The relevant times for the purposes of paragraph 8.1(a) are:

- (a) in the case of the defeating conditions referred to in paragraph (g) (*Prescribed Occurrences*) of Appendix 2 – three Business Days after the end of the Offer Period; and
- (b) in the case of all other defeating conditions in Appendix 2 – the end of the Offer Period.

APPENDIX 1 – FORMAL TERMS OF THE OFFER CONTINUED

8.3 Your agreement

By signing and returning your personalised Acceptance Form, or otherwise accepting this Offer, you will be deemed to have:

- (a) irrevocably authorised the Bidder to alter your personalised Acceptance Form on your behalf by:
 - (i) inserting correct details of your Heemskirk Shares (including details of a parcel of Heemskirk Shares required by paragraph 11.4(b));
 - (ii) filling in any blanks remaining on your personalised Acceptance Form; and
 - (iii) rectifying any errors in, and omissions from, your personalised Acceptance Form,as may be necessary to make your personalised Acceptance Form a valid acceptance of this Offer and to enable registration of the transfer of your Heemskirk Shares to the Bidder, and agreed to provide any document reasonably requested by the Bidder to make your personalised Acceptance Form a valid acceptance of this Offer or to otherwise give better effect to your acceptance; and
- (b) if any of your Heemskirk Shares are in a CHESS Holding, irrevocably authorised the Bidder to:
 - (i) instruct your Controlling Participant to initiate acceptance of this Offer in respect of all such Heemskirk Shares in accordance with the ASX Settlement Operating Rules; and
 - (ii) give any other instructions in relation to those Heemskirk Shares to your Controlling Participant on your behalf under the sponsorship agreement between you and the Controlling Participant; and
- (c) agreed to indemnify the Bidder in respect of any claim or action against it or any loss, damage or liability whatsoever incurred by it as a result of you not producing your HIN or SRN or in consequence of the transfer of your Heemskirk Shares to the Bidder being registered by Heemskirk without production of your HIN or SRN; and
- (d) irrevocably accepted this Offer in respect of all your Heemskirk Shares despite any difference between that number and the number of Heemskirk Shares shown on your personalised Acceptance Form; and
- (e) agreed to the terms and conditions of this Offer and, subject to the conditions contained in Appendix 2 being fulfilled or waived, agreed to transfer (or consented to the transfer in accordance with the ASX Settlement Operating Rules) to the Bidder of your Heemskirk Shares; and
- (f) represented and warranted to the Bidder, as a fundamental condition which goes to the root of the contract resulting from your acceptance of this Offer, that at the time of acceptance and at the time of transfer of your Heemskirk Shares to the Bidder:
 - (i) you have paid to Heemskirk all amounts which are due for payment in respect of your Heemskirk Shares; and
 - (ii) all of your Heemskirk Shares are fully paid and free from all Encumbrances and restrictions on transfer of any nature; and
 - (iii) you have full power and capacity to sell and transfer those Heemskirk Shares; and
- (g) on this Offer or any takeover contract becoming unconditional:
 - (i) irrevocably appointed the Bidder and each of its directors from time to time individually as your agent and attorney on your behalf to:
 - (A) attend and vote in respect of your Heemskirk Shares at all general meetings of Heemskirk;
 - (B) receive from Heemskirk or any other party, and retain, any share certificates which were held by Heemskirk, or any other party, whether pursuant to the terms of any employee incentive scheme (including, without limitation, any employee share scheme) or otherwise; and

APPENDIX 1 – FORMAL TERMS OF THE OFFER CONTINUED

- (C) sign all documents (including an instrument appointing one of the Bidder's directors as a proxy in respect of any or all of your Heemskirk Shares and any application to Heemskirk for a replacement certificate in respect of any share certificate which has been lost or destroyed) and resolutions relating to your Heemskirk Shares, and generally to exercise all powers and rights which you may have as a Heemskirk Shareholder and perform such actions as may be appropriate in order to vest good title in your Heemskirk Shares in the Bidder, and to have agreed that, in exercising such powers, any such director is entitled to act in the Bidder's interests as the beneficial owner and intended registered holder of your Heemskirk Shares; and
- (ii) agreed not to vote in person at any general meeting of Heemskirk or to exercise (or purport to exercise) in person, by proxy or otherwise, any of the powers conferred on the directors of the Bidder by paragraph 8.3(g)(i); and
- (iii) unless you are an Ineligible Foreign Shareholder, if you have elected to receive the Share Consideration, you irrevocably authorised the Bidder to apply for the issue to your account of that number of the Bidder Shares corresponding to your entitlement under this Offer at the date of application; and
- (iv) unless you are an Ineligible Foreign Shareholder, if you have elected to receive the Share Consideration, you agreed to accept the Bidder Shares to which you have become entitled by acceptance of this Offer in return for the Share Consideration subject to the terms of this Offer and the Bidder Articles and the Unanimous Shareholders Agreement, agreed that you will be bound by the Bidder Constitution, and authorised the Bidder to place your name on its share register in respect of those the Bidder Shares; and
- (v) irrevocably authorised and directed the Bidder to direct Heemskirk to pay to the Bidder, or to account to the Bidder for, all Rights in respect of your Heemskirk Shares, subject to the Bidder accounting to you for any such Rights received by the Bidder if this Offer is withdrawn or any contract resulting from your acceptance to this Offer is rescinded or rendered void; and
- (vi) in accordance with paragraph 6.5, irrevocably authorised the Bidder to adjust the Offer Consideration payable to you by the amount (or value, as reasonably assessed by the Bidder) of all Rights in respect of your Heemskirk Shares; and
- (vii) irrevocably authorised the Bidder to notify Heemskirk on your behalf that your place of address for the purposes of serving notices upon you in respect of your Heemskirk Shares is the address specified by the Bidder in the notification; and
- (viii) acknowledged and agreed that, except as permitted by and in accordance with applicable law, you will not knowingly offer or resell in, or to persons in, the United States of America any Bidder Shares which you acquire at any time; and
- (ix) if you are an Ineligible Foreign Shareholder:
 - (A) acknowledged and agreed to the Bidder undertaking the process set out in paragraph 6.3 in respect of any of the Bidder Shares which you would have become entitled to receive under paragraph 2.1 but for paragraph 2.2; and
 - (B) irrevocably authorised the Bidder to apply for the issue to the account of the Nominee of that number of the Bidder Shares which you would have become entitled to receive under paragraph 2.1 but for paragraph 2.2;
- (x) where, at that time, you have a right to be registered as a holder of the Heemskirk Shares the subject of your acceptance as the result of an on-market purchase (but are not a Heemskirk Shareholder):

APPENDIX 1 – FORMAL TERMS OF THE OFFER CONTINUED

- (A) agreed to use best endeavours to procure the delivery of the Heemskirk Shares the subject of your acceptance to the Bidder in accordance with your acceptance (including giving the Bidder all documents necessary to vest those Heemskirk Shares in the Bidder or otherwise to give the Bidder the benefit or value of those Heemskirk Shares);
 - (B) agreed not do or omit to do anything which may frustrate your acceptance of this Offer, or otherwise obstruct registration of the transfer of the Heemskirk Shares the subject of your acceptance to the Bidder;
 - (C) irrevocably assigned to the Bidder all contractual rights and recourse against the vendor in respect of your on-market purchase which contractual rights and recourse may arise by reason of that person's failure to complete that trade;
 - (D) agreed to assign to the Bidder (without any further action being required) all rights in respect of your on-market purchase immediately on any failure by you to complete that trade, including irrevocably assigning to the Bidder the right to (at the Bidder's ultimate discretion) complete that trade on your behalf, and agreed that the Bidder may deduct from the consideration otherwise payable to you (pursuant to a valid acceptance of this Offer and the delivery of the Heemskirk Shares the subject of that acceptance) any amount paid by the Bidder in order to settle that on-market purchase on your behalf. If the Bidder does not, or cannot, make such a deduction, you must pay such amount to the Bidder; and
 - (E) agreed that if you are unable to assign to the Bidder any of the rights and recourse specified under paragraphs 8.3(g)(x)(C) and 8.3(g)(x)(D), you will assign such rights and recourse as soon as you are legally able to; and
- (h) if at the time of acceptance of this Offer your Heemskirk Shares are in a CHESS Holding, authorised, with effect from the date that this Offer or any contract resulting from acceptance of this Offer is declared free from all its conditions or those conditions are satisfied, the Bidder to cause a message to be transmitted to your Controlling Participant in accordance with Rule 14.17.1 of the ASX Settlement Operating Rules so as to transfer all of your Heemskirk Shares to the Bidder's Takeover Transferee Holding. The Bidder will be so authorised even though at the time of such transfer it has not provided the Share Consideration due to you.

By accepting this Offer you will be deemed to have agreed to the matters set out in paragraph 8.3(a) to (h) above, notwithstanding where this Offer has been caused to be accepted in accordance with the ASX Settlement Operating Rules.

Except in relation to Heemskirk Shares in a CHESS Holding, the Bidder may at any time deem the receipt of a signed Acceptance Form to be a valid acceptance of this Offer even though you omit to include your share certificate(s) (if any) or there is non-compliance with any one or more of the other requirements for acceptance but, if the Bidder does so, the Bidder is not obliged to make the Offer Consideration available to you until all of the requirements for acceptance have been met.

9 WITHDRAWAL

The Bidder may withdraw unaccepted offers at any time with the written consent of ASIC and subject to the conditions (if any) specified in such consent.

10 VARIATION

The Bidder may vary this Offer in accordance with the Corporations Act.

11 ACCEPTANCES BY TRANSFEREES AND NOMINEES

11.1 Who may accept this Offer

During the Offer Period:

- (a) any person who is able to give good title to a parcel of your Heemskirk Shares may accept this Offer (if they have not already accepted the Offer in the form of this Offer) as if offered on terms identical with this Offer has been made to them; and
- (b) any person who holds one or more parcels of Heemskirk Shares as trustee, nominee, or otherwise on account of another person, may accept as if a separate and distinct offer had been made in relation to:
 - (i) each of those parcels; and
 - (ii) any parcel they hold in their own right.

11.2 Holding shares

- (a) A person is taken to hold Heemskirk Shares if the person is, or has a right to be registered as, the holder of those Heemskirk Shares.
- (b) A person who has a right to be registered as a holder of Heemskirk Shares may accept this Offer by completing and signing the Acceptance Form in accordance with the instructions on it and lodging it by returning it (together with all other documents required by the instructions on your personalised Acceptance Form) to an address indicated under paragraph 5.3(g) so that the acceptance is received before the end of the Offer Period.

11.3 Holding shares on trust or as a nominee

A person is taken to hold Heemskirk Shares on trust for, as nominee for, or on account of, another person if they:

- (a) are entitled to be registered as the holder of particular Heemskirk Shares; and
- (b) hold their interest in the Heemskirk Shares on trust for, as nominee for, or on account of, that other person.

11.4 Effective acceptance

An acceptance of the Offer under paragraph 11.1 is ineffective unless:

- (a) the person who holds on account of another person, gives the Bidder a notice stating that the Heemskirk Shares consist of a separate parcel; and
- (b) the acceptance specifies the number of Heemskirk Shares in that parcel.

References in this Offer to your Heemskirk Shares will be treated as relating to that separate parcel.

11.5 Notice of acceptance

A notice under paragraph 11.4 of these terms must be made:

- (a) if it relates to Heemskirk Shares entered on a CHESS subregister – in an electronic form approved by the ASX Settlement Operating Rules; or
- (b) otherwise – in writing.

A person may, at the one time, accept for two or more parcels under this section as if there had been a single offer for a separate parcel consisting of those parcels.

12 OTHER MATTERS

12.1 Notices and other communications

Subject to the Corporations Act, a notice or other communication given by the Bidder to you in connection with this Offer shall be deemed to be duly given if it is in writing and:

- (a) is delivered at your address as recorded on the register of members of Heemskirk or the address shown in your personalised Acceptance Form; or
- (b) is sent by pre-paid ordinary mail, or in the case of an address outside Australia by pre-paid airmail, to you at either of those addresses.

12.2 Return of documents

If:

- (a) this Offer is withdrawn after your personalised Acceptance Form has been sent to the Bidder, but before it has been received; or
- (b) for any other reason the Bidder does not acquire the Heemskirk Shares to which your personalised Acceptance Form relates,

you may request the Bidder by notice in writing to dispatch (at your risk) your personalised Acceptance Form together with all other documents forwarded by you, to such address as you nominate. Where such address is inside Australia, the documents will be despatched by pre-paid ordinary mail. Where such address is outside Australia, the documents will be despatched by pre-paid airmail.

12.3 Costs and expenses

All costs and expenses of the preparation, dispatch and circulation of the Bidder's Statement and this Offer and all stamp duty payable in respect of a transfer of Heemskirk Shares in respect of which the Offers are accepted, will be paid by the Bidder.

12.4 Foreign laws

This Offer is not registered in any jurisdiction outside Australia (unless an applicable foreign law treats it as registered as a result of the Bidder's Statement being lodged with ASIC). It is your sole responsibility to satisfy yourself that you are permitted by any foreign law applicable to you to accept this Offer and elect to receive the Bidder Shares (if any) as the Offer Consideration.

12.5 Governing law

This Offer and any contract resulting from acceptance of it is governed by the law in force in New South Wales.

APPENDIX 2 – CONDITIONS OF THE OFFER

The Offer and any contracts resulting from acceptance of the Offer is subject to the following conditions:

- (a) **(minimum acceptance)** during or at the end of the Offer Period, the Bidder Group together have received acceptances under the Offer which give the Bidder Group a relevant interest in at least 90% of Heemskirk Shares.
- (b) **(other regulatory approvals)** prior to the end of the Offer Period, all appropriate waiting and other time periods (including any extensions of such waiting and other time periods) under applicable laws or regulations of any relevant jurisdiction or in connection with any material licence or other authorisation held by Heemskirk or any Subsidiary having expired, lapsed or been terminated (as appropriate) and all regulatory obligations in any relevant jurisdiction and other obligations in connection with any material licence or other authorisation held by Heemskirk or any Subsidiary having been complied with in each case in respect of the offer or any matter arising as a result of the Offer.
- (c) **(no restraining orders)** that between the Announcement Date and the end of the Offer Period:
 - (i) there is not in effect any preliminary or final decision, order or decree issued by any Regulatory Authority; and
 - (ii) no application is made to any Regulatory Authority (other than by a member of the Bidder Group), or action or investigation is announced, threatened or commenced by a Regulatory Authority,in consequence of, or in connection with, the offer (other than a determination by ASIC or the Takeovers Panel in exercise of the powers and discretions conferred by the Corporations Act), which:
 - (iii) restrains, prohibits or impedes (or if granted could restrain, prohibit or impede), or otherwise materially adversely impacts on, the making of the offer or the completion of any transaction contemplated by the offer (whether subject to conditions or not) or the rights of Bidder in respect of Heemskirk and the Heemskirk Shares to be acquired under the Offer; or
 - (iv) requires the divestiture by Bidder of any Heemskirk Shares, or the divestiture of any assets of the Heemskirk Group, the Bidder Group, or otherwise.
- (d) **(no material adverse effect)** that no specified event occurs that will or is reasonably likely to have a material adverse effect on the assets and liabilities, financial position and performance, profits and losses or prospects of any member of the Heemskirk Group, including as a result of making the Offer or the acquisition of Heemskirk Shares pursuant to the Offer. For these purposes, a “specified event” is:
 - (i) an event or occurrence that occurs during the Offer Period;
 - (ii) an event or occurrence that occurs prior to the Offer Period but is only announced or publicly disclosed during or after the Announcement Date; or
 - (iii) an event or occurrence that will or is likely to occur following the Offer Period and which has not been publicly announced prior to the Announcement Date.
- (e) **(no material acquisitions, disposals or new commitments)** except for any proposed transaction publicly announced by Heemskirk before the Announcement Date, none of the following events occurs during the period from the Announcement Date to the end of the Offer Period:
 - (i) a member of the Heemskirk Group acquires, offers to acquire or agrees to acquire one or more companies, businesses or assets (or any interest in one or more companies, businesses or assets) for an amount in aggregate greater than \$1,000,000 or makes an announcement in relation to such an acquisition, offer or agreement;

APPENDIX 2 – CONDITIONS OF THE OFFER CONTINUED

- (ii) a member of the Heemskirk Group disposes of, offers to dispose of or agrees to dispose of one or more companies, businesses or assets (or any interest in one or more companies, businesses or assets) for an amount, or in respect of which the book value (as recorded in Heemskirk's statement of financial position as at 30 September 2016) is, in aggregate, greater than \$1,000,000 or makes an announcement in relation to such a disposition, offer or agreement, other than a disposal of marketable securities (being any securities held by Heemskirk in any company listed on any prescribed stock exchange);
 - (iii) a member of the Heemskirk Group enters into, or offers to enter into or agrees to enter into, any agreement, joint venture, partnership, management agreement or commitment which would require expenditure, or the foregoing of revenue, by a member of the Heemskirk Group of an amount which is, in aggregate, more than \$1,000,000, other than in the ordinary course of business, or makes an announcement in relation to such an entry, offer or agreement;
- (f) **(no persons exercising rights under certain agreements or instruments)** after the announcement date and before the end of the Offer Period, no person (other than a member of the Bidder Group including the lender under the Senior Facility Agreement) exercises or purports to exercise, or states an intention to exercise, any rights under any provision of any agreement or other instrument to which a member of the Heemskirk Group is a party, or by or to which a member of the Heemskirk Group or any of its assets may be bound or be subject, which results, or could result, to an extent which is material in the context of the Heemskirk Group taken as a whole, in:
 - (i) any monies borrowed by a member of the Heemskirk Group being or becoming repayable or being capable of being declared repayable immediately or earlier than the repayment date stated in such agreement or other instrument;
 - (ii) any such agreement or other instrument being terminated or modified or any action being taken or arising thereunder;
 - (iii) the interest of a member of the Heemskirk Group in any firm, joint venture, trust, corporation or other entity (or any arrangements relating to such interest) being terminated or modified; or
 - (iv) the business of a member of the Heemskirk Group with any other person being adversely affected,as a result of the acquisition of the Heemskirk Shares by the Bidder;
- (g) **(prescribed occurrences)** that during the period beginning on the Announcement Date and ending at the end of the Offer Period, none of the following events happen:
 - (i) Heemskirk converts all or any of the Heemskirk Shares into a larger or smaller number of shares;
 - (ii) a member of the Heemskirk Group resolves to reduce its share capital in any way;
 - (iii) a member of the Heemskirk Group:
 - (A) enters into a buy-back agreement; or
 - (B) resolves to approve the terms of a buy-back agreement under section 257C(1) or section 257D(1) of the Corporations Act;
 - (iv) a member of the Heemskirk Group issues shares, or grants an option over its shares, or agrees to make such an issue or grant such an option, except any option granted to a member of the Bidder Group pursuant to the Senior Facility Agreement;
 - (v) a member of the Heemskirk Group issues, or agrees to issue, convertible notes;
 - (vi) a member of the Heemskirk Group disposes, or agrees to dispose, of the whole, or a substantial part, of its business or property. For avoidance of doubt, this does not prohibit the disposal of marketable securities (being any securities held by Heemskirk in any company listed on any prescribed stock exchange);

APPENDIX 2 – CONDITIONS OF THE OFFER CONTINUED

- (vii) a member of the Heemskirk Group charges, or agrees to charge, the whole, or a substantial part, of its business or property;
- (viii) a member of the Heemskirk Group resolves to be wound up;
- (ix) a liquidator or provisional liquidator of a member of the Heemskirk Group is appointed;
- (x) a court makes an order for the winding up of a member of the Heemskirk Group;
- (xi) an administrator of a member of the Heemskirk Group is appointed under sections 436A, 436B or 436C of the Corporations Act;
- (xii) a member of the Heemskirk Group executes a deed of company arrangement; or
- (xiii) a receiver or a receiver and manager is appointed in relation to the whole, or a substantial part, of the property of a member of the Heemskirk Group other than by a member of the Bidder Group.
- (h) **(no termination of this agreement by Heemskirk)** between the Announcement Date and the end of the Offer Period, Heemskirk does not terminate the Implementation Agreement in accordance with its terms.
- (i) **(no material breach of this agreement by Heemskirk)** between the Announcement Date and the end of the Offer Period, Heemskirk is not in breach of any provision of the Implementation Agreement in circumstances where:
 - (i) that breach is material;
 - (ii) the Bidder has given written notice to Heemskirk setting out that breach; and
 - (iii) either:
 - (A) the breach is incapable of remedy; or
 - (B) if the breach is capable of remedy but the breach is not remedied by Heemskirk within 5 Business Days of it receiving notice from the Bidder.
- (j) **(Company licences)** that between the Announcement Date and the end of the Offer Period all material approvals, licences, permits, consents, notifications, declarations or other authorisation required for the lawful operation of the business (including the occupation or use of any land and the conduct of any business on or in connection with any land) conducted by Heemskirk remain in force (including by renewal).
- (k) **(Heemskirk Directors to recommend)** the Heemskirk Directors unanimously recommend that the Heemskirk Shareholders accept the Cash Consideration component of the Offer in the Target Statement and any other public statements made by Heemskirk in relation to the Offer, and do not modify that recommendation.
- (l) **(Employee Securities)** any entitlement to shares under Employee Securities are cancelled.

