

## Schedule A

COURT/ESTATE FILE NUMBER	B201 851343/25-2851343
COURT	COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE	CALGARY
APPLICANT	IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL UNDER SECTION 50.4(1) OF THE BANKRUPTCY AND INSOLVENCY ACT, R.S.C. 1985, c. B-3, AS AMENDED, OF PETROLAMA ENERGY CANADA INC.
DOCUMENT	<b><u>ORDER</u></b> <b>(Extension of Time to File Proposal, etc.)</b>
ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT	<b>JENSEN SHAWA SOLOMON DUGUID HAWKES LLP</b> 800, 304 - 8 Avenue SW Calgary, Alberta T2P 1C2  Christa Nicholson QC / Angad Bedi Tel: 403 571 1053 Fax: 403 571 1528 <a href="mailto:nicholsonc@jssbarristers.ca">nicholsonc@jssbarristers.ca</a> / <a href="mailto:bedia@jssbarristers.ca">bedia@jssbarristers.ca</a> File: 15378.001

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**DATE ON WHICH ORDER WAS PRONOUNCED:** August 10, 2022

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

**LOCATION OF HEARING:** **Calgary, Alberta**

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**UPON THE APPLICATION** of Petrolama Energy Canada Inc. (the "**Company**") filed August 2, 2022 (the "**Application**"); **AND UPON** having read the Application and the Affidavit of Paul Farley Joslyn sworn August 2, 2022, filed (the "**Joslyn Affidavit**"), and the further Affidavit of Paul Farley Joslyn sworn August 9, 2022 to be filed; **AND UPON** having read the First Report of the Proposal Trustee, Alvarez & Marsal Canada Inc. (the "**Proposal Trustee**") filed on August 4, 2022; **AND UPON** noting the Brief filed by the Company on August 4, 2022; **AND UPON** having read the Affidavit of Service of Amy Kuang, affirmed on August 4, 2022, to be filed, and the Affidavits of Service of Sarah Sklar, sworn August 9, 2022 to be filed, 2022; **AND UPON** noting the submissions of counsel for the Company, counsel for the Proposal Trustee and the other parties present;

**IT IS HEREBY ORDERED AND DECLARED THAT:**

**Service of the Application**

1. The time for service of the Application together with all supporting materials, upon the parties named in the Service List attached as Schedule "A" (the "**Service List**") is hereby abridged and declared to be good, valid, timely and sufficient and no other person is required to have been served with such documents, and this hearing is properly returnable before this Honourable Court today and further service thereof is hereby dispensed with.

**Defined Terms**

2. Unless otherwise expressly indicated, all capitalized terms used herein and not otherwise defined shall have the meanings used in the Sales and Investment Solicitation Process (the "**SISP**") attached as **Schedule "B"**.

**Administration Charge**

3. The Proposal Trustee, counsel to the Proposal Trustee, and counsel to the Company, as security for the professional fees and disbursements incurred both before and after the granting of this Order, shall be entitled to the benefits of and are hereby granted a first ranking charge (the "**Administration Charge**") on all of the Collateral, which charge shall not exceed \$150,000 in an aggregate amount.

**Interim Financing**

4. The Applicant is hereby authorized and empowered to obtain and borrow under a credit facility from 884304 Alberta Ltd., (in such lender capacity, the "**Interim Lender**"; also referred to as the "**Stalking Horse Bidder**") in order to finance the Company's restructuring expenses, provided that borrowings under such credit facility (the "**Interim Facility**") shall not exceed \$300,000 unless permitted by further order of this Court. The Interim Facility shall be extended on the terms and subject to the conditions set forth in the agreement entitled "Interim Financing Terms" between the Company and the Interim Lender, a copy of which is attached as **Exhibit "5"** to the Joslyn Affidavit (the "**Interim Financing Terms**").
5. The Interim Lender shall be entitled to the benefits of and is hereby granted a charge (the "**Interim Lender Charge**") on all of the Collateral to secure the Interim Financing Obligations (as defined in the Interim Financing Terms), which charge shall not exceed the aggregate amount advanced on or after the date of this Order together with any Interim Financing Obligations under the Interim Financing Terms, and which charge shall not secure an obligation that exists before this Order is made. The Interim Lender Charge shall have the priority set out in paragraphs 8 and 10 hereof.

### **Directors' and Officers' Charge**

6. The Company shall indemnify its directors and officers against obligations and liabilities that they may incur as its directors or officers after the commencement of the BIA Proceedings, except to the extent that, with respect to any officer or director, the obligation or liability was incurred as a result of the director's or officer's gross negligence or wilful misconduct.
7. Each of the directors and officers of the Company shall be entitled to the benefit of and are hereby granted a charge (the "**Directors' and Officers' Charge**") on all of the Collateral, which charge shall not exceed an aggregate amount of \$65,000, as security for the indemnity provided in this Order. The Directors' and Officers' Charge shall have the priority set out in paragraphs 8 and 10 hereof.

### **Priority of the BIA Charges**

8. The priorities of the Administration Charge, the Interim Lender Charge and the Directors' and Officers' Charge (collectively, the "**BIA Charges**"), as among them, shall be as follows:
  - (a) First: Administration Charge, up to the maximum amount of \$150,000;
  - (b) Second: Directors' and Officers' Charge, up to the maximum amount of \$65,000.  
and
  - (c) Third: Interim Lender Charge up to a maximum principal amount of \$300,000 plus all other Interim Financing Obligations.
9. The filing, registration or perfection of the BIA Charges shall not be required, and the Charges shall be valid and enforceable for all purposes, including as against any right, title or interest filed, registered, recorded or perfected subsequent to the Charges coming into existence, notwithstanding any such failure to file, register, record or perfect.
10. Each of the BIA Charges (all as constituted and defined herein) shall constitute a charge on all the Collateral and each such charge shall rank in priority to all other security interests, trusts, liens, charges and encumbrances, and claims of secured creditors, statutory or otherwise (collectively, "**Encumbrances**") in favour of any Person except in the case of the Interim Lender Charge which shall be subject to the Permitted Priority Liens as defined in the Interim Financing Terms.
11. Except as otherwise expressly provided for herein, or as may be approved by this Court, the Company shall not grant any Encumbrances over any Collateral that rank in priority to, or *pari passu* with, any of the BIA Charges, unless the Company also obtains the prior written consent of the Proposal Trustee and the beneficiaries of the Administration Charge, the Interim Lender Charge, and the Directors' and Officers' Charge, or same is authorized by further order of this Court.

12. The BIA Charges shall not be rendered invalid or unenforceable and the rights and remedies of the chargees entitled to the benefit of the Charges (collectively, the "**Chargees**") shall not otherwise be limited or impaired in any way by:
- (a) The pendency of these proceedings and the declarations of insolvency made in this Order;
  - (b) Any application(s) for bankruptcy order(s) issued pursuant to BIA, or any bankruptcy order made pursuant to such applications;
  - (c) The filing of any assignments for the general benefit of creditors made pursuant to the BIA;
  - (d) The provisions of any federal or provincial statutes; or
  - (e) Any negative covenants, prohibitions or other similar provisions with respect to borrowings, incurring debt or the creation of Encumbrances, contained in any existing loan documents, lease, sublease, offer to lease or other agreement (collectively, an "**Agreement**") that binds the Company, and notwithstanding any provision to the contrary in any Agreement:
    - (i) neither the creation of the BIA Charges nor the execution, delivery, perfection, registration or performance of any documents in respect thereof shall create or be deemed to constitute a new breach by the Company of any Agreement to which it is a party;
    - (ii) none of the Chargees shall have any liability to any Person whatsoever as a result of any breach of any agreement caused by or resulting from the creation of the BIA Charges; and
    - (iii) the payments made by the Company pursuant to this Order, and the granting of the BIA Charges, do not and will not constitute preferences, fraudulent conveyances, transfers at undervalue, oppressive conduct or other challengeable or voidable transactions under any applicable law.
13. Any interested Person may apply to this Court on notice to any other party likely to be affected for an order to allocate the BIA Charges amongst the various assets comprising the Collateral.

**Approval of SISP including Stalking Horse Proposal as a Qualified Bid**

14. The SISP, including the SISP Procedures, substantially in the form attached as Schedule "B", shall be and are hereby approved, including its deeming of the Stalking Horse Proposal (a copy of which is attached as **Schedule "C"**) as a Qualified Bid and the Company and the Proposal Trustee are authorized and directed to carry out the SISP in accordance with the SISP Procedures and this Order, and are hereby authorized and directed to take such steps as they consider necessary or appropriate in carrying out each

of their obligations thereunder, subject to prior approval of this Court being obtained before the completion of any transaction(s) resulting pursuant to the SISP.

15. For greater certainty, nothing herein approves the transaction contemplated in the Stalking Horse Proposal, and the approval of any transaction contemplated by the SISP shall be determined on a subsequent application made to this Court.

**Extension of Time to file a Proposal**

16. Pursuant to subsection 50.4(9) of the BIA, the period within which the Company is required to file a proposal to its creditors with the Official Receiver under subsection 62(1) of the BIA shall be and is hereby extended to 11:59 pm (local Calgary time) on October 10, 2022.

**Service of This Order**

17. Service of this Order shall be deemed to be achieved by posting a copy of this Order on the website of the Proposal Trustee, namely [www.alvarezandmarsal.com/petrolama](http://www.alvarezandmarsal.com/petrolama) and by delivering an electronic copy of this Order to those parties listed on the Service List.

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Justice of the Court of Queen's Bench of Alberta

COURT FILE NUMBER 25-2851343

COURT COURT OF QUEEN'S BENCH OF ALBERTA

JUDICIAL CENTRE CALGARY

Clerk's Stamp

APPLICANT IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL UNDER SECTION 50.4(1) OF THE BANKRUPTCY AND INSOLVENCY ACT, R.S.C. 1985, c. B-3, AS AMENDED, OF PETROLAMA ENERGY CANADA INC.

DOCUMENT **SERVICE LIST**

**Schedule "A"**

PARTY	CONTACT INFORMATION	ROLE
<b>Alvarez &amp; Marsal Canada ULC</b> Suite 1110, 250 6th Ave SW Calgary, AB T2P 3H7	Orest Konowalchuk <a href="mailto:okonowalchuk@alvarezandmarsal.com">okonowalchuk@alvarezandmarsal.com</a>  Cassie Riglin <a href="mailto:criglin@alvarezandmarsal.com">criglin@alvarezandmarsal.com</a>  Jill Strueby <a href="mailto:jstrueby@alvarezandmarsal.com">jstrueby@alvarezandmarsal.com</a>	Proposal Trustee
<b>Blake, Cassels &amp; Graydon LLP</b> Suite 3500, 855 - 2 St. SW Calgary, AB T2P 4J8	Kelly Bourassa <a href="mailto:kelly.bourassa@blakes.com">kelly.bourassa@blakes.com</a>  James Reid <a href="mailto:james.reid@blakes.com">james.reid@blakes.com</a>	Counsel for the Proposal Trustee
<b>Jensen Shawa Solomon Duguid Hawkes LLP</b> 800, 304 - 8 Avenue SW Calgary, Alberta T2P 1C2	Christa Nicholson, QC <a href="mailto:nicholsonc@jssbarristers.ca">nicholsonc@jssbarristers.ca</a>  Angad Bedi <a href="mailto:bedia@jssbarristers.ca">bedia@jssbarristers.ca</a>	Counsel for Petrolama Energy Canada Inc.
<b>Keyera Energy Inc.</b> Suite 160, 10613 W Sam Houston Parkway N Houston, TX 77064-4664	Ryan Zahara <a href="mailto:RZahara@mltaikins.com">RZahara@mltaikins.com</a>	Affected Creditor Claimant

PARTY	CONTACT INFORMATION	ROLE
<b>Phillips 66 Gulf Coast Properties LLC</b> c/o Phillips Gulf Coast Properties 3010 Briarpark Drive Houston, TX 77042	Managing Director, Terminals Copy to Deputy General Counsel Joe Taylor <a href="mailto:joe.w.taylor@p66.com">joe.w.taylor@p66.com</a>	Affected Creditor Claimant
<b>PMI Trading DAC</b> c/o Holland & Knight 31 West 52nd Street New York, NY 10019	Marisa Marinelli <a href="mailto:Marisa.marinelli@hklaw.com">Marisa.marinelli@hklaw.com</a>	Affected Creditor Claimant
<b>Navitas Energy Group</b> Suite 510, 715 5th Avenue SW Calgary, AB T2P 2X6	Paul Joslyn <a href="mailto:pjoslyn@petrolama.com">pjoslyn@petrolama.com</a>	Affected Creditor Claimant and Unaffected Creditor
<b>Lama Energy Group SRO</b> Na Florenci 2116/15, Florentinum, Building C Nové Město, 110 00 Praha 1 Prague, Czech Republic	Karen Fellowes QC <a href="mailto:KFellowes@stikeman.com">KFellowes@stikeman.com</a>  Natasha Doelman <a href="mailto:NDoelman@stikeman.com">NDoelman@stikeman.com</a>	Affected Creditor Claimant
<b>Nefrite Investment a.s.</b> Na Florenci 2116/15, 110 00 Prague 1 Prague, Czech Republic	Karen Fellowes QC <a href="mailto:KFellowes@stikeman.com">KFellowes@stikeman.com</a>  Natasha Doelman <a href="mailto:NDoelman@stikeman.com">NDoelman@stikeman.com</a>	Affected Creditor Claimant
<b>US Venture Inc</b> 425 Better Way Appleton, WI 54915	Chris Simard <a href="mailto:simardc@bennettjones.com">simardc@bennettjones.com</a>	Unaffected Creditor
<b>BB Energy USA LLC</b> Suite 1075, 2229 San Felipe Street Houston, TX 77019	Kristen Procinsky <a href="mailto:Kristen.procinsky@bbenergy.com">Kristen.procinsky@bbenergy.com</a>  Luke Schabb <a href="mailto:luke.schaab@bbenergy.com">luke.schaab@bbenergy.com</a>	Affected Creditor Claimant

PARTY	CONTACT INFORMATION	ROLE
<b>Gunvor USA, LLC</b> 600 Travis Street, Suite 6500 Houston, Texas 77002	Legal Gunvor USA LLC <a href="mailto:GUSA.Notices@gunvorgroup.com">GUSA.Notices@gunvorgroup.com</a>  with copy to <a href="mailto:GUSA.CrudeOperations@gunvorgroup.com">GUSA.CrudeOperations@gunvorgroup.com</a>	Unaffected Creditor
<b>Lotam Capital Inc.</b> 16 Hawthorne Cres NW Calgary, AB T2N 3V4	Corey Riley <a href="mailto:criley@lotamcapital.com">criley@lotamcapital.com</a>	Unaffected Creditor
<b>OdysseyNRG Ltd.</b> c/o DLA Piper (Canada) LLP Suite 1000, Livingston Place West 250 2nd Street SW Calgary, AB T2P 0C1	Trevor Wong-Chor <a href="mailto:Trevor.wong-chor@dlapiper.com">Trevor.wong-chor@dlapiper.com</a>	Unaffected Creditor
<b>Brian N Clark</b>	Brian Clark <a href="mailto:bclark@clarkandassociates.ca">bclark@clarkandassociates.ca</a>	Unaffected Creditor
<b>266 Deer Run Ponte Vedra LLC</b>	Bill Schaefer <a href="mailto:ironschaefer@icloud.com">ironschaefer@icloud.com</a>	Unaffected Creditor
<b>Lago Energy Corp</b> Suite 740, 7501 Fannin Houston, TX 77054	Van Quan <a href="mailto:Van.c.quan@deepbluepetroleum.com">Van.c.quan@deepbluepetroleum.com</a>	Unaffected Creditor
<b>Canada Revenue Agency          Surrey National Verification          and Collection Centre          Insolvency Intake Centre          Collections Directorate</b> 9755 King George Blvd Surrey, BC V3T 5E1	L. Kareem Fax: 1-866-219-0311	Unaffected Creditor



## Schedule B

### SALE AND INVESTMENT SOLICITATION PROCESS

#### Preamble

1. This Sales and Investment Solicitation Process (the "**SISP**") will be implemented under Division I of Part III of the *Bankruptcy and Insolvency Act* (Canada), RSC 1985, c B-3 (the "**BIA**") in the Division I proposal proceedings initiated by PetroLama Energy Canada Inc. (the "**Company**") on July 27, 2022 (the "**BIA Proceedings**"). Alvarez & Marsal Canada Inc. has been appointed as proposal trustee (the "**Proposal Trustee**") in the BIA Proceedings and is not acting in its personal or corporate capacity. This SISP was approved by an Order (the "**Approval Order**") on application by the Company to the Court of Queen's Bench of Alberta (the "**Court**") on August 10, 2022.
2. The Approval Order, among other things, approved this SISP including its deeming of the proposal attached thereto as, *inter alia*, a Qualified Bid thereunder to be made by the Company (the "**Stalking Horse Proposal**") pursuant to which 884304 Alberta Ltd. (the "**Stalking Horse Bidder**") agreed, among other things, to: (i) act as a "stalking horse bidder" in the context of this SISP; and (ii) if the Stalking Horse Bidder is determined to be the Successful Bidder, to complete the transaction contemplated by the Stalking Horse Proposal on the terms and conditions set out therein. The Stalking Horse Proposal contemplates, among other things, the existing equity interests in the Company being cancelled, and the Stalking Horse Bidder becoming the sole shareholder of the Company (the "**Stalking Horse Transaction**").
3. The Approval Order, the procedures in respect of this SISP as contained herein (the "**SISP Procedures**") and any subsequent Order issued by the Court pertaining to the SISP Procedures shall exclusively govern the process for soliciting and selecting bids for the sale of, or investment in, the shares or assets of the Company, a refinancing, reorganization, recapitalization, restructuring, joint-venture, merger or other business transaction involving the Company, or some combination thereof.
4. All dollar amounts expressed herein, unless otherwise noted, are in Canadian currency. Unless otherwise indicated herein any event that occurs on a day that is not a Business Day shall be deemed to occur on the next Business Day.

#### Defined Terms

5. All capitalized terms used herein and not otherwise defined herein shall have the meanings given to them in Schedule "A" hereto.

#### Sale and Investment Solicitation Process

6. These SISP Procedures describe, among other things:
  - (a) the manner in which prospective bidders may gain access to or continue to have access to due diligence materials concerning the Company and its business and the Company's equity, assets, rights, undertakings and properties;
  - (b) the manner in which bidders and bids become Qualified Bidders and Qualified Bids, as applicable;

- (c) the evaluation of Bids received;
- (d) the guidelines for the ultimate selection of the Successful Bid and/or Back-Up Bid; and,
- (e) the process for obtaining such approvals (including the approval of the Court) as may be necessary or appropriate in respect of a Successful Bid.

### **Conduct of SISP Procedures**

7. The Proposal Trustee shall conduct the SISP Procedures as outlined herein. In the event that there is a disagreement regarding, or clarification required as to, the interpretation or application of these SISP Procedures or the responsibilities of any Person hereunder, the Court will have the jurisdiction to hear such matters and provide advice and directions upon application of the Company, the Proposal Trustee, the Stalking Horse Bidder or any other interested Person.

### **"As Is, Where Is"**

8. Any transaction involving the Company, the shares of the Company, or the assets of the Company, will be on an "as is, where is" basis and without surviving representations, warranties, covenants or indemnities of any kind, nature, or description by the Company, the Proposal Trustee, or any of their respective agents, estates, advisors, professionals or otherwise, except to the extent set forth in a written agreement with the Person who is a counterparty to such a transaction.

### **Free of Any and All Claims and Interests**

9. All of the right, title and interest of the Company in and to any assets sold or transferred within the BIA Proceedings will, at the time of such sale or transfer, be sold or transferred free and clear of all pledges, liens, security interests, encumbrances, claims, charges, options and interests pursuant to approval and vesting Orders made by the Court under Section 65.13(7) of the BIA, except to the extent otherwise set forth in the Stalking Horse Transaction or in a Superior Offer, as the case may be.

### **Timeline**

10. The following table sets out key milestones and anticipated deadlines for the sales process:

<b>MILESTONE</b>	<b>DATE</b>
Approval Order Application	August 10, 2022
Sales Process Begins	August 12, 2022
Bid Deadline	September 23, 2022
<i>If Stalking Horse Proposal is Successful Bid</i>	

File Stalking Horse Proposal and Mail Creditor Package	October 3, 2022
Creditor Meeting to vote on Stalking Horse Proposal	October 17, 2022
Bid Approval Application	October 26, 2022
Close Stalking Horse Transaction and Implement Slaking Horse Proposal	November 1, 2022
<i>If a Superior Offer is Successful Bid</i>	
Bid Approval Application	October 12, 2022
Intervening Steps and Transaction Close	To be determined depending on structure of Successful Bid

#### **Conflicts Of Interest/Confidentiality**

11. The owner and principal of the Stalking Horse Bidder (the "**Principal**") was previously a member of senior management of the Company. As such, the Stalking Horse Bidder and the Principal shall only receive information regarding the SISP in keeping with their capacity and obligations as a Qualified Bidder.

#### **Solicitation of Interest**

12. The Proposal Trustee commenced these SISP Procedures by preparing, in consultation with the Company, a list of potential bidders (the "**Known Potential Bidders**"). Such list includes both strategic and financial parties who, in the reasonable business judgment of the Proposal Trustee and the Company, may potentially be interested in and have the financial capacity to make a Superior Offer.
13. For all purposes of this SISP, the following Persons shall be considered as potential bidders (each, a "**Potential Bidder**"): (i) the Known Potential Bidders, and (ii) any other party that executes the documents listed in paragraph 15 and is permitted by the Company, with the consent of the Proposal Trustee, to participate in the SISP.
14. The Proposal Trustee shall provide notice of these SISP Procedures to the Potential Bidders (including the Participation Requirements as specified below in Section 15) after commencement of the BIA Proceedings. In addition, the Proposal Trustee intends to publish notice regarding these SISP Procedures in *The Globe & Mail (National Edition)*, *Calgary Herald*, *Daily Oil Bulletin*, *Insolvency Insider* and any other publications or newswires as determined by the Proposal Trustee.

#### **Participation Requirements**

15. Unless otherwise ordered by the Court, any Person who wishes to participate in this SISP must deliver the following to the Proposal Trustee, with a copy to the Company, at the e-mail addresses specified in Schedule "**B**" hereto:

- (a) a letter (a "**Participation Letter**") setting forth (i) the identity, the type and the jurisdiction of organization of the Potential Bidder, (ii) the contact information for such Potential Bidder, (iii) full disclosure of the direct and indirect owners and principals of the Potential Bidder, and (iv) such financial disclosure and credit quality support or enhancement that allows the Company, in consultation with the Proposal Trustee, to make a reasonable determination as to the Potential Bidder's financial and other capabilities to consummate a transaction pursuant to a Superior Offer;
  - (b) an executed NDA; and,
  - (c) an executed letter acknowledging receipt of a copy of the Approval Order (including these SISP Procedures) and agreeing to accept and be bound by the provisions contained therein.
- 16. If, in the opinion of the Proposal Trustee, in consultation with the Company, a Person has complied with each of the requirements described in Section 15 of these SISP Procedures, such Person shall be deemed a "**Qualified Bidder**" hereunder.
- 17. Notwithstanding Sections 15 and 16, the Stalking Horse Bidder shall be deemed to be a Qualified Bidder for all purposes under, and at all times in connection with this SISP.
- 18. The Proposal Trustee will provide each Qualified Bidder with access to an electronic data room containing all material contracts to which the Company is or becomes a party, due diligence materials and financial, tax and other information relating to the shares, the assets, the property and the business of the Company as soon as practicable after the determination that such Person is a Qualified Bidder (the "**Data Room**"). The Data Room shall be kept up to date by the Company and Proposal Trustee.
- 19. The Proposal Trustee is not responsible for, and will have no liability with respect to, any information obtained by any Potential Bidder. The Proposal Trustee and its advisors do not make any representations or warranties whatsoever as to the information or the materials provided to or obtained by any Potential Bidder and/or any of its agents, consultants, advisors or other third-parties that may be in receipt of this information and are relying upon it for their purposes.

#### **Qualified Bids**

- 20. Any Qualified Bidder other than the Stalking Horse Bidder that wishes to make a Bid must deliver their Bid to the Proposal Trustee, with a copy to the Company, at the e-mail addresses specified in Schedule "**B**" hereto and, for greater certainty, not to the Principal, so as to be actually received by the Proposal Trustee by a time not later than the Bid Deadline.
- 21. All offers submitted to the Proposal Trustee ("**Bids**") for consideration in accordance with paragraph 20 must comply with all of the following requirements (any such complying Bid, a "**Qualified Bid**"):
  - (a) Purchase Price: Each Bid must clearly set forth the purchase price in Canadian dollars, stated on a total enterprise value basis (including the cash and non-cash

components thereof, and the ability to satisfy the payment of the BIA Charges in full);

- (b) Bid Deadline: Each Bid must be received on or before 5:00 pm (Calgary time) on September 23, 2022 (the "**Bid Deadline**");
- (c) Superior Offer: Each Bid must constitute a Superior Offer;
- (d) Irrevocable Offer: Each Bid must be irrevocable for a minimum of 45 days following the Bid Deadline provided that if such Bid is selected as the Back-Up Bid its offer will remain irrevocable until the date that is five (5) Business Days after the Outside Date;
- (e) Executed Documents: Each Bid must be accompanied by a duly authorized and executed form of transaction document as the Qualified Bidder may choose, and an electronic Word copy of such agreement, as well as duly authorized and executed documents necessary to effectuate the transactions contemplated thereby, including:
  - (i) Identity: Each Bid must fully disclose the identity of each entity that will be sponsoring or participating in the Bid, and the complete terms of such participation;
  - (ii) Contact Information: Each Bid must contain contact information for any business, financial or legal advisors retained or to be retained in connection with the proposed transaction;
  - (iii) Deposit: Each Bid must be accompanied by a refundable deposit (the "**Deposit**") in the form of a wire transfer to a non-interest bearing account specified by the Proposal Trustee, payable to the order of the Proposal Trustee, on behalf of the Company, in trust, in an amount equal to fifteen (15%) percent of the cash consideration contemplated by the Bid or as otherwise contemplated in any fully executed transaction document, to be held and dealt with in accordance with the terms of this SISP. For greater certainty, the Stalking Horse Bidder is not required to deliver a Deposit pursuant to these SISP Procedures;
  - (iv) Financial Wherewithal: Each Bid must include (A) written evidence of a firm, irrevocable commitment for financing, or other evidence of ability to consummate the proposed transaction, that will allow the Proposal Trustee to make a reasonable determination as to the Qualified Bidder's financial and other capabilities to consummate the transaction, fund the business, and implement post-Closing measures and transactions, and (B) the identification of any Person or entity who may provide debt or equity financing for the Bid and any material conditions to be satisfied in connection with such financing;
  - (v) Authorization: Each Bid must include evidence, in form and substance reasonably satisfactory to the Proposal Trustee, of authorization and approval from the Qualified Bidder's board of directors (or comparable

governing body) with respect to the submission, execution, delivery and Closing of the transaction contemplated by the Bid;

- (vi) No Other Authorization, Diligence, Financing Conditions: Each Bid must not be conditional upon the following:
  - A. any internal approval(s);
  - B. the outcome of unperformed due diligence by the Qualified Bidder;  
or
  - C. obtaining financing;
- (vii) Regulatory Approvals: Each Bid must outline any anticipated regulatory and other approvals required to close the transaction, and the anticipated time frame and any anticipated impediments for obtaining such approvals and confirms that the Qualified Bidder will make and submit all necessary and applicable regulatory filings and pay all fees associated therewith;
- (viii) Disclaimer of Fees: Each Bid must disclaim any right to receive a fee analogous to a break-up fee, expense reimbursement, termination fee, or any other similar form of compensation;
- (ix) Timeline: Each Bid must provide a timeline to Closing with critical milestones;
- (x) Terms of Court Order(s): Each Bid must describe the key terms and provisions to be included in any Order of the Court approving the contemplated transaction;
- (xi) Confirmation of no Collusion: Each Bid should include confirmation by the Qualified Bidder that it has not engaged in any discussions or any other collusive behaviour with any other Qualified Bidder regarding the SISP or any Bids submitted or contemplated to be submitted in the SISP; and
- (xii) Other Information: Each Bid must contain such other information as may be reasonably requested by the Proposal Trustee from time to time.

22. Notwithstanding Section 21, the Stalking Horse Proposal shall be deemed to be a Bid and a Qualified Bid for all purposes under, and at all times in connection with this SISP and, for greater certainty, the Stalking Horse Bidder need not comply with Section 21.

23. The Proposal Trustee, in consultation with the Company, will review and assess each Bid to determine whether such Bid is a Qualified Bid. In performing such review and assessment, the Company, in consultation with the Proposal Trustee, may evaluate the following non-exhaustive list of considerations: (a) the purchase price and net value (including assumed liabilities and other obligations to be performed by the Qualified Bidder); (b) the firm, irrevocable commitment for financing of the transaction; (c) the claims likely to be created by such Bid in relation to other Bids; (d) the counterparties to the transaction; (e) the terms of transaction documents, including, if applicable, the proposed

revisions to the Stalking Horse Proposal; (f) the Closing conditions and other factors affecting the speed, certainty and value of the transaction (including any regulatory approvals required to close the transaction); (g) planned treatment of stakeholders; (h) the assets included or excluded from the Bid; (i) any restructuring costs that would arise from the Bid; (j) the likelihood and timing of consummating the transaction, (k) the financing or cash pro forma available post-Closing to fund the Company's business; and (l) the capital sufficient to implement post-Closing measures and transactions.

24. The Proposal Trustee, in consultation with the Company, may reject any Bid (other than the Stalking Horse Proposal) that is (i) inadequate or insufficient; (ii) not in conformity with the requirements pursuant to these SISP Procedures; (iii) contrary to the best interest of the Company; or (iv) not a Qualified Bid; provided that the Proposal Trustee may waive strict compliance with any one or more of the requirements specified in paragraph 21 above and deem a non-compliant Bid to be a Qualified Bid.
25. Nothing in this SISP prevents the Stalking Horse Bidder from submitting a Superior Offer.

#### **Selection of Successful Bid**

26. In the event that no Qualified Bid other than the Stalking Horse Proposal is received by the Bid Deadline, then (a) the Stalking Horse Proposal will be deemed to be the Successful Bid; (b) the Stalking Horse Bidder shall be deemed to be the Successful Bidder, and (c) the Company and the Proposal Trustee shall take all necessary steps to file the Stalking Horse Proposal and hold a creditor meeting in respect of the Stalking Horse Transaction.
27. In the event that the Proposal Trustee determines that one or more Qualified Bids constitutes a Superior Offer, the Proposal Trustee may, but is not required to, approach all Qualified Bidders to submit a highest and best offer. The Proposal Trustee shall select the highest or best Qualified Bid (the "**Successful Bid**" and the party submitting such Successful Bid, the "**Successful Bidder**") and shall identify and record the next highest and/or best Superior Offer (the "**Back-Up Bid**" and the party submitting such Back-Up Bid, the "**Back-Up Bidder**"). The Proposal Trustee shall advise the Successful Bidder and the Back-Up Bidder of such determinations and all other Qualified Bidders that they are not a Successful Bidder or a Back-Up Bidder.

#### **Bid Approval Application**

28. If applicable, the Company and the Proposal Trustee shall take all necessary steps to implement the transaction contemplated by the Successful Bid and either the Company or the Proposal Trustee, as applicable, shall apply to the Court (the "**Bid Approval Application**") for an Order approving the Successful Bid and authorizing the Company to enter into any and all necessary agreements with respect to the Successful Bid and to undertake such other actions as may be necessary or appropriate to implement and give effect to the Successful Bid. Such Order shall also approve the Back-Up Bid, *mutatis mutandis*, and authorize the completion of the Back-Up Bid in the event that the Successful Bid does not close for any reason.
29. The hearing of the Bid Approval Application will be held as soon as possible after the selection of the Successful Bid. The Bid Approval Application may be adjourned or rescheduled by the Company or the Proposal Trustee, as applicable, without further notice

by an announcement of the adjourned date at the Bid Approval Application, or by notice to the service list in the BIA Proceedings.

30. All Qualified Bids (other than the Successful Bid and the Back-Up Bid) will be deemed rejected on the date of approval of the Successful Bid by the Court.

### **Closing the Successful Bid**

31. The Company and the Successful Bidder shall take all reasonable steps to complete the transaction contemplated by the Successful Bid as soon as possible after the Successful Bid is approved by the Court. If the transaction contemplated by the Successful Bid does not close for any reason the Company may elect, with the consent of the Proposal Trustee, to seek to complete the transaction contemplated by the Back-Up Bid, and will promptly seek to Close the transaction contemplated by the Back-Up Bid. The Back-Up Bid will be deemed to be the Successful Bid and the Company will be deemed to have accepted the Back-Up Bid only when the Company has made such election and provided written notice of such determination to the Successful Bidder and the Back-Up Bidder.

### **Deposits**

32. All Deposits shall be retained by the Proposal Trustee in a trust account with a chartered bank in Canada. The Deposit (without interest thereon) paid by the Successful Bidder and Back-Up Bidder, as applicable, whose Bid(s) is/are approved at the Bid Approval Application will be applied to the purchase price to be paid or investment amount to be made by the Successful Bidder and/or Back-Up Bidder, as applicable upon Closing of the approved transaction and will be non-refundable, other than in the circumstances set out in the Successful Bid or the Back-Up Bid, as applicable.
33. The Deposits of Qualified Bidders not selected as the Successful Bidder and Back-Up Bidder will be returned to such Qualified Bidders within five (5) Business Days of the date upon which the Successful Bid is approved by the Court or any earlier date as may be determined by the Proposal Trustee. The Deposit of the Back-Up Bidder, if any, shall be returned to such Back-Up Bidder no later than five (5) Business Days after Closing of a transaction with the Successful Bidder.
34. If a Successful Bidder breaches its obligations under the terms of the SISP, its Deposit shall be forfeited as liquidated damages and not as a penalty.
35. If the Company is unable to complete the Successful Bid as a result of its own actions and not as a result of steps or conditions contained in the Successful Bid (or the actions of the Successful Bidder) then the Deposit shall be returned to the Successful Bidder.

### **Notice**

36. The addresses used for delivering documents as prescribed by the terms and conditions of these SISP Procedures are set out in Schedule "B" hereto. A Bid and all associated documentation shall be delivered to the Proposal Trustee by e-mail, personal delivery, and/or courier. Persons requesting information about these SISP Procedures should contact the Proposal Trustee at the contact information contained in Schedule "B".



**No Amendment**

37. There shall be no amendments to these SISP Procedures unless otherwise ordered by the Court upon application and appropriate notice.

**Further Orders**

38. At any time during these SISP Procedures, the Proposal Trustee, or the Company may apply to the Court for advice and directions with respect to the discharge of their powers and duties hereunder, including to terminate this SISP if deemed to be necessary by the Proposal Trustee or the Company, acting reasonably.

## **Schedule "A"**

### **Defined Terms**

**"Administration Charge"** means a charge on the Collateral created under the Approval Order in an aggregate amount not to exceed Cdn \$150,000 securing the Administration Obligations, as such charge may be amended by any other Order in the BIA Proceedings.

**"Administration Obligations"** means the indebtedness, liabilities, and Obligations of the Company in respect of the unpaid professional fees and disbursements of the Proposal Trustee, the Proposal Trustee's legal counsel, and the Company's legal counsel, in connection with the BIA Proceedings that were and are incurred both before and after the granting of the Approval Order.

**"Approval Order"** has the meaning given to it in the Preamble.

**"Back-Up Bid"** has the meaning given to it in paragraph 27.

**"Back-Up Bidder"** has the meaning given to it in paragraph 27.

**"BIA"** has the meaning given to it in the Preamble.

**"BIA Charges"** means, collectively, the super-priority charges granted by the Court in the BIA Proceedings, including the Administration Charge, Directors' and Officers' Charge, and the Interim Lender Charge.

**"BIA Proceedings"** has the meaning given to it in the Preamble.

**"Bid Approval Application"** has the meaning given to it in paragraph 28.

**"Bid Deadline"** has the meaning given to it in paragraph 21(b).

**"Bids"** has the meaning given to it in paragraph 21.

**"Business Day"** means a day (other than Saturday or Sunday) on which banks are generally open for business in Calgary, Alberta.

**"Closing"** means the completion of the transaction contemplated by the Successful Bid.

**"Collateral"** means all present and future assets and property of the Company, real and personal, tangible or intangible, and whether now owned or which are hereafter acquired or otherwise become the property of the Company.

**"Company"** has the meaning given to it in the Preamble.

**"Court"** has the meaning given to it in the Preamble.

**"Data Room"** has the meaning given to it in paragraph 18.

**"Deposit"** has the meaning given to it in paragraph 21(e)(iii).

**"Directors' and Officers' Charge"** means a court-ordered charge on the Collateral, ranking second in priority subject only to the Administration Charge, to secure the indebtedness, liabilities and obligations of the directors and officers of the Company that are incurred after the commencement of the BIA Proceedings, in an amount determined by agreement of the Proposal Trustee, the Company and the Interim Lender, acting reasonably.

**"Governmental Authority"** means any federal, provincial, state, local, municipal, regional, territorial, aboriginal, or other government, governmental or public department, branch, ministry, or court, domestic or foreign, including any district, agency, commission, board, arbitration panel or authority and any subdivision of any of them exercising or entitled to exercise any administrative, executive, judicial, ministerial, prerogative, legislative, regulatory, or taxing authority or power of any nature; and any quasi-governmental or private body exercising any regulatory, expropriation or taxing authority under or for the account of any of them, and any subdivision of any of them.

**"Interim Financing Obligations"** means the indebtedness, liabilities, and Obligations of the Company with respect to the debtor-in-possession interim financing facility approved by the Court pursuant to the Approval Order.

**"Interim Lender Charge"** means the charge created under the Approval Order securing the Interim Financing Obligations, subject to the limits set out in the Approval Order or in any other Order.

**"Known Potential Bidder"** has the meaning given to it in paragraph 12.

**"NDA"** means a non-disclosure agreement in form and substance satisfactory to the Proposal Trustee.

**"Obligations"** means any indebtedness, liabilities, and obligations, whether present, future, direct, indirect, liquidated, or contingent, whether due or accruing due or to become due, owed by the Company to any Person.

**"Order"** means an order of the Court in the BIA Proceedings.

**"Outside Date"** means November 30, 2022.

**"Participation Letter"** has the meaning given to it in paragraph 15(a).

**"Person"** will be broadly interpreted and includes, without limitation: (i) a natural person, whether acting in his or her own capacity, or in his or her capacity as executor, administrator, estate trustee, trustee or personal or legal representative, and the heirs, executors, administrators, estate trustees, trustees or other personal or legal representatives of a natural person; (ii) a corporation or a company of any kind, a partnership of any kind, a sole proprietorship, a trust, a joint venture, an association, an unincorporated association, an unincorporated syndicate, an unincorporated organization or any other association, organization or entity of any kind; and (iii) a Governmental Authority.

**"Potential Bidder"** has the meaning given to it in paragraph 13.

"**Principal**" has the meaning given to it in paragraph 11.

"**Proposal Trustee**" has the meaning given to it in the Preamble.

"**Qualified Bid**" has the meaning given to it in paragraph 21.

"**Qualified Bidder**" has the meaning given to it in paragraph 16.

"**SISP**" has the meaning given to it in the Preamble.

"**SISP Procedures**" has the meaning given to it in the Preamble.

"**Stalking Horse Bidder**" has the meaning given to it in the Preamble.

"**Stalking Horse Proposal**" has the meaning given to it in the Preamble.

"**Stalking Horse Transaction**" has the meaning given to it in the Preamble.

"**Successful Bid**" has the meaning given to it in paragraph 27.

"**Successful Bidder**" has the meaning given to it in paragraph 27.

"**Superior Offer**" means a credible, reasonably certain and financially viable offer made by a Qualified Bidder that (i) provides for consideration at least \$10,000 in excess of the aggregate value of the Stalking Horse Transaction, and (ii) the Proposal Trustee, in consultation with the Company, considers to be better than the Stalking Horse Transaction. A Bid made by a Qualified Bidder will not constitute a "**Superior Offer**" unless it provides for the indefeasible payment, in full and in cash, of any amounts owing in respect of those Obligations secured by the BIA Charges.

## **Schedule "B"**

### **Notice**

(a) If to the Company:

**Petrolama Energy Canada Inc.**  
Suite 330, 715 – 5th Avenue SW  
Calgary, AB, T2P 2X7

Attention: Paul Joslyn  
E-mail: [pjoslyn@petrolama.com](mailto:pjoslyn@petrolama.com)

with a copy to:

**Jensen Shawa Solomon Duguid Hawkes LLP**  
Suite 800, 304 8 Ave SW  
Calgary, AB T2P 1C2

Attention: Christa Nicholson QC / Angad Bedi  
E-mail: [nicholsonc@jssbarristers.ca](mailto:nicholsonc@jssbarristers.ca) / [bedia@jssbarristers.ca](mailto:bedia@jssbarristers.ca)

(b) If to the Proposal Trustee

**Alvarez and Marsal Canada Inc.**  
Suite 1110, 250 6th Ave SW  
Calgary, AB T2P 3H7

Attention: Orest Konowalchuk / Cassie Riglin  
E-mail: [okonowalchuk@alvarezandmarsal.com](mailto:okonowalchuk@alvarezandmarsal.com) / [criglin@alvarezandmarsal.com](mailto:criglin@alvarezandmarsal.com)

with a copy to:

**Blake, Cassels & Graydon LLP**  
Suite 3500, 855 2<sup>nd</sup> St SW  
Calgary, AB T2P 4J8

Attention: Kelly Bourassa / James Reid  
Email: [kelly.bourassa@blakes.com](mailto:kelly.bourassa@blakes.com) / [james.reid@blakes.com](mailto:james.reid@blakes.com)

## **SCHEDULE C**

COURT FILE NUMBER

ESTATE NUMBER

COURT OF QUEEN'S BENCH OF ALBERTA

JUDICIAL CENTRE

CALGARY

IN THE MATTER OF THE NOTICE OF INTENTION TO  
MAKE A PROPOSAL UNDER SECTION 50.4(1) OF THE  
BANKRUPTCY AND INSOLVENCY ACT, RSC 1985, C  
B-3, AS AMENDED, OF PETROLAMA ENERGY  
CANADA INC.

DOCUMENT

### **PROPOSAL**

ADDRESS FOR SERVICE AND  
CONTACT INFORMATION OF  
PARTY FILING THIS DOCUMENT

Jensen Shawa Solomon Duguid Hawkes LLP  
304 8 Ave SW #800  
Calgary, AB T2P 1C2

Attention: Christa Nicholson QC / Angad Bedi  
E-mail: [nicholsonc@jssbarristers.ca](mailto:nicholsonc@jssbarristers.ca) /  
[bedia@jssbarristers.ca](mailto:bedia@jssbarristers.ca)

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**PROPOSAL MADE UNDER DIVISION I OF PART III  
OF THE *BANKRUPTCY AND INSOLVENCY ACT*, RSC 1985, c B-3**

**RECITALS**

- A. The Company is a corporation governed by the laws of the Province of Alberta and is insolvent.
- B. The Company commenced the BIA Proceedings under the BIA and obtained the Approval Order from the Honourable Justice K.M. Horner on August 10, 2022, which, among other things, approved the SISP including its deeming of the Stalking Horse Proposal as a Qualified Bid under the SISP, and extended the period within which the Company is required to file a proposal to its Creditors with the Official Receiver under Subsection 62(1) of the BIA by 45 days to and including October 10, 2022.
- C. Pursuant to the SISP and this Stalking Horse Proposal, the Company, with the assistance of and under the supervision of the Proposal Trustee, agreed to, among other things: (i) conduct the SISP in accordance with its terms; and (ii) in the event that the Stalking Horse Bidder is selected as the Successful Bidder, present this Stalking Horse Proposal to its Creditors.
- D. The SISP has concluded with the selection of the Stalking Horse Bidder as the Successful Bidder.

**NOW THEREFORE** the Company hereby proposes and presents this Stalking Horse Proposal under and pursuant to the BIA:

**ARTICLE 1  
DEFINITIONS AND INTERPRETATION**

**1.1 Definitions**

The following capitalized terms will have the meanings set out below:

"**ABCA**" means the *Business Corporations Act* (Alberta) RSA 2000, c B-9.

"**Administration Charge**" means a charge on the Collateral created under the Approval Order in an aggregate amount not to exceed Cdn \$150,000.00 securing the Administration Obligations, as such charge may be amended by any other Order in the BIA Proceedings.

"**Administration Obligations**" means the indebtedness, liabilities, and Obligations of the Company in respect of the unpaid professional fees and disbursements of the Proposal Trustee, the Proposal Trustee's legal counsel, and the Company's legal counsel, in connection with the BIA Proceedings that were and are incurred both before and after the granting of the Approval Order.

"**Affected Claims**" means all Proven Claims.

"**Affected Creditors**" means any Creditor holding an Affected Claim.

**"Applicable Law"** means (a) any domestic or foreign statute, law (including common and civil law), treaty, code, ordinance, rule, regulation, restriction or by-law (zoning or otherwise); (b) any judgement, order, writ, injunction, decision, ruling, decree or award; (c) any regulatory policy, practice, guideline, or directive; or (d) any franchise, licence, qualification, authorization, consent, exemption, waiver, right, permit or other approval of any Governmental Authority, binding on or affecting the Person referred to in the context in which the term is used or binding on or affecting the property of such Person, in each case whether or not having the force of law.

**"Approval Order"** means the Order of the Honourable Justice K.M. Horner in the BIA Proceedings pronounced on August 10, 2022.

**"Arrangement Agreement"** means the Arrangement Agreement dated as of the August 2, 2022, between the Company and the Stalking Horse Bidder.

**"Articles"** means the articles of reorganization of the Company to be filed pursuant to Section 7.1(a) whereby the Company will amend its share terms.

**"BIA"** means the *Bankruptcy and Insolvency Act* (Canada), RSC 1985, c B-3.

**"BIA Charges"** means, collectively, the super-priority charges granted by the Court in the BIA Proceedings, including the Administration Charge, Directors' and Officers' Charge, and the Interim Lender Charge.

**"BIA Proceedings"** means these proceedings initiated by the Company on the Filing Date by filing a Notice of Intention to Make a Proposal pursuant to Section 50.4 the BIA.

**"Business"** means the business and operations carried on by the Company as at the Filing Date.

**"Business Day"** means each day other than a Saturday or Sunday or a statutory or civic holiday on which banks are open for business in Calgary, Alberta.

**"Claim"** includes any right or claim (including, without limitation, an Equity Claim) of any Person that may be asserted or made in whole or in part against the Company, whether or not asserted or made in connection with any indebtedness, liability, Obligation of any kind whatsoever, and any interest accrued thereon or costs payable in respect thereof, including without limitation, by reason of the commission of a tort (intentional or unintentional), by reason of any breach of contract or other agreement (oral or written), by reason of any breach of duty (including, without limitation, any legal, statutory, equitable or fiduciary duty) or by reason of any right of ownership of or title to property or assets or right to a trust or deemed trust (statutory, express, implied, resulting, constructive or otherwise), and whether or not any indebtedness, liability or Obligation is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, unsecured, present or future, known or unknown, by guarantee, surety or otherwise, and whether or not any right or claim is executory or anticipatory in nature including, without limitation, any right or ability of any Person to advance a claim for contribution or indemnity or otherwise with respect to any matter, action, cause or chose in action whether existing at present or commenced in the future, which indebtedness, liability or Obligation, and any interest accrued thereon or costs payable in respect thereof (i) is based in whole or in part on facts prior to the Filing Date, (ii) relates to a time period prior to the Filing Date, or (iii) is a right or claim of any kind that would be a claim provable in bankruptcy (within the meaning of Section 2 of the BIA) had the Company become bankrupt on the Filing Date.

**"Clark"** means Brain N Clark, a party to an Investment Acknowledge dated February 1, 2021.

**"Commodities Contract"** means the Commodities Sales/Purchase Agreement dated April 11, 2019, between Petrolama Energy Canada Inc., as buyer, Lago Energy Corp., as seller, and Navitas Energy Group Ltd., as Lender, as amended by a Waiver and Amendment to Commodities Agreement dated May 18, 2021.

**"Company"** means Petrolama Energy Canada Inc.

**"Court"** means the Court of Queen's Bench of Alberta, Judicial Centre of Calgary.

**"Creditor"** means any Person holding a Claim against the Company.

**"Creditors' Meeting"** means the meeting of the Affected Creditors to be called and held pursuant to Section 51(1) of the BIA for the purpose of considering and voting upon this Stalking Horse Proposal and includes any adjournment of such meeting.

**"Deer Run"** means Deer Run Ponte Vedra LLC.

**"Directors"** means any past or present directors of the Company.

**"Directors' and Officers' Charge"** means a court-ordered charge on the Collateral created under the Approval Order, ranking second in priority subject only to the Administration Charge, in an aggregate amount not to exceed Cdn \$65,000 to secure the indebtedness, liabilities and obligations of the directors and officers of the Company that are incurred after the commencement of the BIA Proceedings.

**"Effective Time"** means 12:01 a.m. (Calgary time) on the Proposal Implementation Date or such other time on such date as the Company, the Stalking Horse Bidder and the Proposal Trustee agree in writing.

**"Encumbrance"** means any mortgage, charge, security interest, pledge, assignment, hypothecation, title retention, finance lease or trust (whether contractual, statutory, or otherwise) securing payment or performance of any Claim, or any lien, restriction, option, adverse claim, right of others or other encumbrance of any kind.

**"Equity Claim"** has the meaning ascribed to it in the BIA.

**"Equity Interest"** has the meaning ascribed to it in the BIA.

**"Existing Shareholder"** means any holder of Existing Shares.

**"Existing Shares"** includes all Equity Interests in the Company and all common shares, preferred shares and other securities (including stock options, warrants or other rights to acquire securities of any nature of the Company) in the capital of or issued by the Company and, for greater certainty, without restricting the generality of the foregoing, includes all issued and outstanding Class A Common Shares and Class B Common Shares in the capital of the Company.

**"Filing Date"** means July 27, 2022.

**"Final Certificate"** has the meaning ascribed to it in Section 9.2(f).

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**"Governmental Authority"** means any federal, provincial, state, local, municipal, regional, territorial, aboriginal, or other government, governmental or public department, branch, ministry, or court, domestic or foreign, including any district, agency, commission, board, arbitration panel or authority and any subdivision of any of them exercising or entitled to exercise any administrative, executive, judicial, ministerial, prerogative, legislative, regulatory, or taxing authority or power of any nature; and any quasi-governmental or private body exercising any regulatory, expropriation or taxing authority under or for the account of any of them, and any subdivision of any of them.

**"Gunvor"** means Gunvor USA, LLC.

**"Gunvor Contract"** means the Deal Confirmation dated October 28, 2020 between Petrolama Energy Canada Inc. and Gunvor, as amended on November 12, 2020.

**"Gunvor Advances "** means a claim for \$1,250,000 USD consisting of (i) a prepayment of \$1,050,000 USD made by Gunvor between November 13, 2020 and April 28, 2022 for certain Residue Material; and (ii) a \$200,000 USD advance to be provided by Gunvor as needed to begin production and shipment of Residue Material.

**"Interim Financing Obligations"** means the indebtedness, liabilities, and Obligations of the Company with respect to the debtor-in-possession interim financing facility approved by the Court pursuant to the Approval Order.

**"Interim Lender Charge"** means the charge created under the Approval Order securing the Interim Financing Obligations, subject to the limits set out in the Approval Order or in any other Order.

**"ITA"** means the *Income Tax Act* (Canada), RSC 1985, c 1 (5th Supp).

**"Levy"** is defined in Section 6.6.

**"Lotam"** means LOTAM Capital Inc., a party to an Investment Acknowledgement dated January 19, 2021

**"Navitas"** means Navitas Energy Group Ltd.

**"Net Creditor Recovery Amounts"** is defined in Section 6.6.

**"New Directors"** means the Person or Persons selected to serve as directors of the Company by the Stalking Horse Bidder.

**"New Shares"** means the Voting Common Shares of the Company authorized and issued as part of the Plan of Reorganization having the rights, restrictions and conditions set out in Schedule A of the Plan of Reorganization.

**"Obligations"** means any indebtedness, liabilities, and obligations, whether present, future, direct, indirect, liquidated, or contingent, whether due or accruing due or to become due, owed by the Company to any Person.

**"Odyssey"** means OdysseyNRG Ltd., a party to an Investment Acknowledgement dated February 1, 2021.

**"Officers"** means any past and present senior officers of the Company.

**"Official Receiver"** has the meaning ascribed thereto in the BIA.

**"Order"** means an order of the Court in the BIA Proceedings.

**"Payees"** means the all of the following: the Subsection 5.1 (a) Payees, the Subsection 5.1 (b) Payee, the Subsection 5.1 (d) Payee, the Subsection 5.1 (e) Payee, the Subsection 5.1 (f) Payee, Subsection 5.1 (g) Payee, the Subsection 5.1 (h) Payee, the Subsection 5.1 (i) Payee, and the Subsection 5.1 (j) Payee.

**"Person"** will be broadly interpreted and includes, without limitation: (i) a natural person, whether acting in his or her own capacity, or in his or her capacity as executor, administrator, estate trustee, trustee or personal or legal representative, and the heirs, executors, administrators, estate trustees, trustees or other personal or legal representatives of a natural person; (ii) a corporation or a company of any kind, a partnership of any kind, a sole proprietorship, a trust, a joint venture, an association, an unincorporated association, an unincorporated syndicate, an unincorporated organization or any other association, organization or entity of any kind; and (iii) a Governmental Authority.

**"Petrolama Allocation"** and **"Petrolama Allocations"** each have the meaning ascribed to them in Section 6.6.

**"Plan of Reorganization"** means the proposed plan of reorganization of the Company's share capital pursuant to Section 192 of the ABCA contemplated by the Arrangement Agreement.

**"Proof of Claim"** means the proof of Claim required by the BIA to be mailed to each known Creditor prior to the Creditors' Meeting.

**"Proposal Approval Order"** is defined in Section 9.2.

**"Proposal Implementation"** means the fulfillment, satisfaction or waiver of the conditions set out in Section 10.1 and the occurrence or effecting of the steps set out in Section 7.1.

**"Proposal Implementation Date"** means the date on which Proposal Implementation occurs.

**"Proven Claim"** means a Claim to the extent that such Claim is finally determined and valued in accordance with the provisions of the BIA, or an Order pronounced in the BIA Proceedings.

**"Proposal Trustee"** means Alvarez & Marsal Canada Inc., in its capacity as proposal trustee of the Company in the BIA Proceedings and not in its personal or corporate capacity.

**"Proposal Trustee's Certificate"** is defined in Section 10.3.

**"Redeemable Shares"** means the Redeemable Common Shares of the Company authorized and issued as part of the Plan of Reorganization having the rights, restrictions and conditions set out in Schedule A to the Plan of Reorganization.

**"Released Party"** is defined in Section 8.1.

**"Required Majority"** means the majority in number of the Affected Creditors who represent at least two-thirds in value of such Affected Creditors who actually vote on the resolution approving the Stalking Horse Proposal (in person or by proxy) at the Creditors' Meeting.

**"Residue Material"** means residue waste material from Texistepec, Mexico which is the subject of, among other things, the Commodities Contract and the Gunvor Contract.

**"SISP"** means the sale and investor solicitation process approved by the Court pursuant to the Approval Order.

**"Stalking Horse Bidder"** means 884304 Alberta Ltd.

**"Stalking Horse Proposal"** means this proposal filed by the Company pursuant to the BIA, as it may be further amended, supplemented, or restated from time to time in accordance with the terms hereof or any Order or the Court.

**"Subsection 5.1 (a) Payees"** means:

- (a) Lotam in relation to its rights pursuant to subsection 5.1 (a) of the Commodities Contract and an Investment Acknowledgement dated January 19, 2021 as more particularly described in **Schedule "B"** hereto, in that capacity, which shall be treated *pari pasu* with all Subsection 5.1 (a) Payees;
- (b) Odyessy in relation to its rights pursuant to subsection 5.1 (a) of the Commodities Contract and an Investment Acknowledgement dated February 1, 2021 as more particularly described in **Schedule "B"** hereto, in that capacity; to be treated *pari pasu* with all Subsection 5.1(a) Payees;
- (c) Clark in relation to his rights pursuant to subsection 5.1 (a) of the Commodities Contract as a and an Investment Acknowledgement dated February 1, 2021 as more particularly described in **Schedule "B"** hereto, in that capacity which shall be treated *pari pasu* with all Subsection 5.1(a) Payees;
- (d) Deer Run in relation to a claim pursuant to subsection 5.1 (a) of the Commodities Contract and a Services Agreement made as of April 15, 2021 as more particularly described in **Schedule "B"** hereto, in that capacity which shall be treated *pari pasu* with all Subsection 5.1 (a) Payees; and
- (e) All other payees under subsection 5.1 (a) of the Commodities Contract.

**"Subsection 5.1 (b) Payee"** means Navitas in relation to its rights pursuant to subsection 5.1 (b) of the Commodities Contract.

**"Subsection 5.1 (d) Payee"** means Lago in relation to its rights pursuant to subsection 5.1 (d) of the Commodities Contract.

**"Subsection 5.1 (e) Payee"** means USV in relation to its rights pursuant to subsection 5.1 (e) of the Commodities Contract and a Loan Agreement dated May 2021.

**"Subsection 5.1 (f) Payee"** means Lago in relation to its rights pursuant to subsection 5.1 (f) of the Commodities Contract.

**"Subsection 5.1 (g) Payee"** means USV in relation to its rights pursuant to subsection 5.1 (g) of the Commodities Contract and a Loan Agreement dated May 2021.

**"Subsection 5.1 (h) Payee"** means Navitas in relation to its rights pursuant to subsection 5.1 (h) of the Commodities Contract.

**"Subsection 5.1 (i) Payee"** means Lago in relation to its rights pursuant to subsection 5.1 (i) of the Commodities Contract and Loan Agreement dated May 2021.

**"Subsection 5.1 (j) Payee"** means Lago and Navitas in relation to their rights pursuant to subsection 5.1 (j) of the Commodities Contract.

**"Successful Bid"** has the meaning ascribed to it in the SISP.

**"Successful Bidder"** has the meaning ascribed to it in the SISP.

**"USV"** means U.S. Venture, Inc.

**"Unaffected Claims"** means:

- (i) any Claims contemplated by Section 178(1) of the BIA;
- (ii) any Claims contemplated by Section 60(1.1) of the BIA;
- (iii) the rights and claims of the Payees and Gunvor pursuant to the Gunvor Advances; and
- (iv) all other Claims that the Stalking Horse Bidder agrees in writing, with the prior written consent of the Proposal Trustee, to treat as an Unaffected Claim at or prior to the Creditors' Meeting.

**"Unaffected Creditor"** means any Person holding an Unaffected Claim.

**"Voting Letter"** shall mean the voting letter required by Subsection 51(1) of the BIA to be mailed to each known Creditor prior to the Creditors' Meeting.

## **1.2 Certain Rules of Interpretation**

For the purposes of this Stalking Horse Proposal:

- (a) any reference in this Stalking Horse Proposal to a contract, instrument, release, indenture or other agreement or document being in a particular form or on particular terms and conditions means that such document will be substantially in such form or substantially on such terms and conditions;
- (b) any reference in this Stalking Horse Proposal to an Order or an existing document or exhibit filed or to be filed means such document or exhibit as it may have been or may be amended, modified, or supplemented;

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- (c) the division of this Stalking Horse Proposal into Articles and Sections are for convenience of reference only and do not affect the construction or interpretation of this Stalking Horse Proposal, nor are the descriptive headings of Articles and Sections intended as complete or accurate descriptions of the content thereof;
- (d) the use of words in the singular or plural, or with a particular gender, including a definition, will not limit the scope or exclude the application of any provision of this Stalking Horse Proposal to such Person (or Persons) or circumstances as the context otherwise permits;
- (e) the words "includes" and "including" and similar terms of inclusion will not, unless expressly modified by the words "only" or "solely", be construed as terms of limitation, but rather will mean "includes but is not limited to" and "including but not limited to", so that references to included matters will be regarded as illustrative without being either characterizing or exhaustive;
- (f) unless otherwise specified, all references to time herein and in any document issued pursuant hereto mean local time in Calgary, Alberta and any reference to an event occurring on a Business Day will mean prior to 5:00 p.m. (Calgary time) on such Business Day;
- (g) unless otherwise specified, time periods within or following which any payment is to be made or act is to be done will be calculated by excluding the day on which the period commences and including the day on which the period ends and by extending the period to the next succeeding Business Day if the last day of the period is not a Business Day;
- (h) unless otherwise provided, any reference to a statute or other enactment of parliament, a legislature or other Governmental Authority includes all regulations made thereunder, all amendments to or re-enactments of such statute or regulations in force from time to time, and, if applicable, any statute or regulation that supplements or supersedes such statute or regulation;
- (i) references to a specific Recital, Article or Section of this Stalking Horse Proposal will, unless something in the subject matter or context is inconsistent therewith, be construed as references to that specific Recital, Article or Section of this Stalking Horse Proposal, whereas the terms "this Stalking Horse Proposal", "hereof", "herein", "hereto", "hereunder" and similar expressions will be deemed to refer generally to this Stalking Horse Proposal and not to any particular Recital, Article, Section or other portion of this Stalking Horse Proposal and include any documents supplemental hereto; and,
- (j) the word "or" is not exclusive.

### **1.3 Successors and Assigns**

This Stalking Horse Proposal will be binding upon and will enure to the benefit of the respective heirs, administrators, executors, legal personal representatives, successors and assigns of any Person named or referred to in this Stalking Horse Proposal.



## **1.4 Currency**

For the purposes of this Stalking Horse Proposal, all amounts will be denominated in Canadian dollars. Any Claims or other amounts denominated in a foreign currency will be converted to Canadian dollars at the Bank of Canada exchange rate on the Filing Date.

## **1.5 Governing Law**

This Stalking Horse Proposal will be governed by and construed in accordance with the laws of Alberta and the federal laws of Canada applicable therein. All questions as to the interpretation or application of this Stalking Horse Proposal and all proceedings taken in connection with this Stalking Horse Proposal and its provisions will be subject to the jurisdiction of the Court.

# **ARTICLE 2 PURPOSE AND EFFECT OF THE STALKING HORSE PROPOSAL**

## **2.1 Purpose and Effect**

The purpose and effect of this Stalking Horse Proposal is:

- (a) to enable the Company to continue conducting a portion of its Business which is economically viable as a going concern from and after the Proposal Implementation Date;
- (b) to retract and terminate all Existing Shares with no consideration to be given to Existing Shareholders;
- (c) to amend and restate the Articles to cancel and terminate all classes of Existing Shares, and to create the New Shares and Redeemable Shares and set out the rights of such New Shares and Redeemable Shares;
- (d) to assign to each Affected Creditor their pro rata share of the Net Creditor Recovery Amounts in full and final satisfaction of their respective Affected Claims; and
- (e) to effect a full, final, and irrevocable compromise, release, discharge, cancellation and bar of all Claims other than Unaffected Claims.

This Stalking Horse Proposal is put forward in the expectation that the Persons with an economic interest in the Company, when considered as a whole, will derive a greater benefit from the implementation of this Stalking Horse Proposal and the continuation of certain parts of the Business as a going concern than would result from a bankruptcy, receivership, or liquidation of the Company.

## **2.2 Persons Affected by this Stalking Horse Proposal**

This Stalking Horse Proposal affects:

- (a) the Affected Creditors;

- (b) any Creditor having a Claim that is barred, released, and extinguished under Section 5.1; and
- (c) the Existing Shareholders through the retraction, termination, and cancellation of the Existing Shares.

### **2.3 Unaffected Claims**

Any Unaffected Claims will be satisfied by the Company in the manner and to the extent contemplated in Section 6.2 and are therefore uncompromised by this Stalking Horse Proposal.

All liabilities of the Released Parties in respect of Unaffected Claims, other than the liability of the Company to satisfy the Unaffected Claims in the manner and to the extent contemplated in Section 6.2, will be fully, finally, irrevocably and forever compromised, released, discharged, cancelled and barred pursuant to Section 8.1.

Nothing in this Stalking Horse Proposal will affect the Company's rights and defences, both legal and equitable, with respect to any Unaffected Claims, including but not limited to, all rights with respect to legal and equitable defences or entitlements to set-offs or recoupments against such Unaffected Claims.

## **ARTICLE 3 CLASSIFICATION, VOTING AND RELATED MATTERS**

### **3.1 Claims Procedure**

The procedure for determining the validity, priority and quantum of all Claims will be governed by this Stalking Horse Proposal, the BIA, and any further Order in the BIA Proceedings. A Creditor will, in respect of its own Claim, have the right to seek the assistance of the Court in valuing any Claim in accordance with the BIA.

Nothing in this Stalking Horse Proposal will give or be interpreted to give any rights to any Person in respect of Claims that have been barred or extinguished pursuant to the BIA.

### **3.2 Filing of Proofs of Claim**

In order to vote on this Stalking Horse Proposal or to receive the Net Creditor Recovery Amounts under this Stalking Horse Proposal, each Creditor shall file a Proof of Claim in accordance with the BIA and as instructed in the Voting Letter.

### **3.3 Allowance or Disallowance of Claims by the Proposal Trustee**

Upon receipt of a completed Proof of Claim, the Proposal Trustee shall examine the Proof of Claim and shall deal with each Claim in accordance with the provisions of the BIA. The Proposal Trustee shall have the power and authority to determine the validity of all Claims made against the Company, including the validity of any security held by Persons claiming to be secured Creditors of the Company.

### **3.4 Claims Bar Process**

Forthwith after the Creditors' Meeting, the Proposal Trustee shall give notice pursuant to Section 149 of the BIA, by registered mail, to every Person with an Affected Claim that the Proposal Trustee has notice or knowledge of, but whose Claim has not been filed or proved that if such Person does not prove its Claim within a period of thirty (30) days after the mailing of the notice, the Proposal Trustee will proceed to declare a final dividend without regard to such Person's Claim. Any Person so notified who does not provide its Claim within the said thirty (30) day period shall be barred from making a Claim in this Stalking Horse Proposal or sharing in any distribution hereunder, subject to any exceptions set out in Subsections 149(2), (3) and (4) of the BIA.

## **ARTICLE 4 MEETING OF CREDITORS**

### **4.1 Creditors' Meeting**

The Creditors' Meeting will be held in accordance with Division I of Part III of the BIA. The only Persons entitled to attend the Creditors' Meeting are:

- (a) the Proposal Trustee and its legal counsel;
- (b) the Affected Creditors (including the holders of proxies) with Affected Claims and their legal counsel;
- (c) the Stalking Horse Bidder and its legal counsel;
- (d) the Company and its legal counsel; and
- (e) any other Person admitted on invitation of the chair of the Creditors' Meeting.

### **4.2 Time and Place of Meeting**

The Creditors' Meeting shall be held at a time and through the remote video conferencing service selected by the Proposal Trustee and confirmed in its notices of meeting to be sent in accordance with Directive No. 22R2 from the Office of the Superintendent of Bankruptcy Canada, unless otherwise established by the Court.

All Proofs of Claim shall be delivered in accordance with the provisions of this Stalking Horse Proposal, the BIA, Directive No. 22R2, and any Order which may be issued by the Court in respect of the procedure governing the Creditors' Meeting.

### **4.3 Adjournment of Meeting**

The Creditors' Meeting may be adjourned in accordance with Section 52 of the BIA.

### **4.4 Approval of this Stalking Horse Proposal by the Affected Creditors**

This Stalking Horse Proposal is to be voted on by the Affected Creditors at the Creditors' Meeting. Each Affected Creditor entitled to vote at the Creditors' Meeting will be entitled to one vote for each dollar in value of its Affected Claim for the purposes of determining a majority in value, and each Affected Creditor shall count as one vote for determining a majority in number.

In order for this Stalking Horse Proposal to be approved by the Affected Creditors, it must receive the affirmative vote of the Required Majority at the Creditors' Meeting.

#### **4.5 Creditors with Unaffected Claims**

No Unaffected Creditor in respect of an Unaffected Claim will be entitled to vote on this Stalking Horse Proposal or attend the Creditors' Meeting.

#### **4.6 Existing Shareholders**

No Existing Shareholder in respect of its Existing Shares or in respect of any Equity Claim will be entitled to vote on this Stalking Horse Proposal or to attend the Creditors' Meeting.

### **ARTICLE 5 RESTRUCTURING OF THE COMPANY**

#### **5.1 Release and Extinguishment of Claims**

Effective upon Proposal Implementation and subject to the conditions precedent set forth in Section 10.1 being satisfied or waived, each Claim that does not constitute an Unaffected Claim shall be fully, finally, irrevocably and forever released, discharged, cancelled and extinguished. Any Person holding such a Claim shall be forever barred, estopped, restrained, and permanently stayed from asserting such a Claim against the Company.

#### **5.2 Corporate Actions**

The adoption, execution, delivery, implementation and consummation of all matters contemplated under this Stalking Horse Proposal involving corporate action of the Company will occur and be effective as of Proposal Implementation and upon filing of the Articles, and will be authorized and approved under this Stalking Horse Proposal and by the Court, where appropriate, as part of the Approval Order, in all respects and for all purposes without any requirement of further action by the Existing Shareholders or current Directors or Officers of the Company. All necessary approvals to take actions will be deemed by the granting of the Proposal Approval Order to have been obtained from the current Directors or Existing Shareholders, as applicable, including the deemed passing by any class of Existing Shareholders of any resolution or special resolution.

#### **5.3 Treatment of Existing Shares**

Effective upon Proposal Implementation and filing of the Articles, the Articles will be amended and the authorized share capital of the Company shall consist of two classes of shares, being New Shares and Redeemable Shares, having the terms set forth in Schedule A of the Plan of Reorganization. The issued and outstanding Existing Shares will be re-designated as fully paid and non-assessable Redeemable Shares, on a one-for-one basis, without any action required on the part of the Existing Shareholders. Following the re-designation, the Redeemable Shares will be deemed to be retracted and to be fully, finally, and irrevocably cancelled and extinguished for fair market value (such value being equal to nil) in accordance with the terms of the Redeemable Shares and any and all Claims of the Existing Shareholders in respect of or arising from the Existing Shares will be fully, finally, irrevocably and forever compromised, released, discharged, cancelled and barred.

#### **5.4 Other Securities**

For greater certainty, effective on Proposal Implementation, all other Equity Interests and securities of whatsoever description in the capital of the Company in existence immediately before the Proposal Implementation Date will be terminated and any Claims of any Person thereunder or arising as a result of such termination will be fully, finally, irrevocably and forever compromised, released, discharged, cancelled and barred.

#### **5.5 Repudiation of Contracts**

Effective on the Proposal Implementation Date, the Company hereby repudiates all contracts, arrangements, agreements, leases, and indentures written or oral between the Company and all Persons, including but not limited to those referenced in **Schedule "A"** hereto, and the Claims of each Person resulting or arising from the repudiation of such contracts, arrangements, agreements, leases, and indentures shall be an unsecured Claim in this Stalking Horse Proposal.

#### **5.6 Retained Contracts**

Notwithstanding Section 5.5 above, following the Proposal Implementation Date, the Company will retain, in full force and effect, such contracts, arrangements, agreements, leases and indentures as are referenced in **Schedule "B"** hereto.

### **ARTICLE 6 DISTRIBUTIONS**

#### **6.1 Issuance of New Shares to the Stalking Horse Bidder**

On the Proposal Implementation Date, in accordance with this Stalking Horse Proposal and subject to the conditions precedent set forth in Section 10.1 being satisfied or waived, the Stalking Horse Bidder will receive 10,000 New Shares in consideration for the full and final satisfaction of the Interim Financing Obligations.

#### **6.2 Unaffected Creditors**

No Unaffected Creditor will be entitled to receive any distribution, dividend, or payment under this Stalking Horse Proposal. At or after Proposal Implementation, all Unaffected Creditors will be paid in accordance with the existing terms and conditions of their contractual arrangements with the Company or on such other terms and conditions as may be agreed to by each of the Company and the Unaffected Creditor in writing. For greater certainty: (i) nothing in this Stalking Horse Proposal will affect the rights that any Unaffected Creditor has or may have with respect to any Unaffected Claims and all such rights shall continue and be unaffected by this Stalking Horse Proposal.

#### **6.3 Crown Priority Claims**

Within six (6) months after Proposal Implementation, the Company will pay in full to Her Majesty in Right of Canada or any province any amount of a kind that could be subject to a demand under the statutory provision referred to in Section 54(2.1) of the BIA that was outstanding on the Filing Date which has not been paid by Proposal Implementation.

## 6.4 Existing Shareholders

No Existing Shareholder in respect of its Existing Shares will be entitled to receive any consideration under this Stalking Horse Proposal. All Claims of Existing Shareholders in respect of or arising from their Existing Shares will be fully, finally, irrevocably, and forever compromised, released, discharged, cancelled, and barred effective on Proposal Implementation.

## 6.5 Withholding Rights

The Company will be entitled to deduct or withhold from any amount payable to any Person under this Stalking Horse Proposal such amounts as it is required to deduct and withhold with respect to such payment under the ITA. To the extent that amounts are so withheld or deducted, such withheld or deducted amounts will be treated for all purposes under this Stalking Horse Proposal as having been paid to the Person in respect of which such deduction or withholding was made, provided that such amounts are actually remitted to the Governmental Authority to whom the Company is required to remit under the ITA.

## 6.6 Proposal in Respect of Affected Claims

Subject always to the terms of the Commodities Contract, after the Company provides the Residue Material to Gunvor up to the value of the Gunvor Advances in satisfaction of any claims of Gunvor for the Gunvor Advances, and after the Company pays Proceeds (as defined in the Commodities Contract) as and when they may be received from time to time to the Subsection 5.1 (a) Payees and, thereafter, to the Subsection 5.1 (b) Payee in accordance with the terms of the Commodities Contract, in full and final satisfaction of the Affected Claims:

- (a) Each Affected Creditor shall have allocated to them their pro-rata share of 50% of the first \$6,000,000 in Proceeds as and when they may be received by the Company from time to time pursuant to subsection 5.1(c) of the Commodities Contract. For greater certainty, the total recovery by all Affected Claims pursuant to this subparagraph (a) shall be up to but shall not exceed \$3,000,000.
- (b) Thereafter, following the Company making payments of Proceeds as and when they are received from time to time to the Subsection 5.1 (d) Payee, the Subsection 5.1 (e) Payee, the Subsection 5.1 (f) Payee, if applicable, and the Subsection 5.1 (g) Payee, in that order in accordance with the terms of the Commodities Contract, each Affected Creditor shall have allocated to them their pro-rata share of 50% of such Proceeds as and when they may be received by the Company from time to time pursuant to subsections 5.1 (h) and (i) of the Commodities Contract.

Thereafter, the Company will pay any remaining Proceeds to the Subsection 5.1 (j) Payee.

The allocations referred to above in subsections (a) and (b) (each a "**Petrolama Allocation**" or cumulatively, the "**Petrolama Allocations**") shall be made to the benefit of the Affected Creditors by the Company from time to time upon each receipt by the Company of any Proceeds pursuant to subsections 5.1 (c), (h) and (i) of the Commodities Contract.

Each Petrolama Allocation shall be reduced by, and subject to, the levy ("**Levy**") payable to the Office of the Superintendent in Bankruptcy in accordance with the BIA.

The funds representing the Petrolama Allocations remaining after accounting for the Levy shall be referred to as the "**Net Creditor Recovery Amounts**".

The Company shall promptly assign to each Affected Creditor its pro rata share of the Net Creditor Recovery Amounts, promptly pay to the Proposal Trustee the amount representing the Petrolama Allocations, and, every three months from the Proposal Implementation Date, the Proposal Trustee will, in accordance with the BIA:

- (a) Remit the Levy; and
- (b) Distribute the assigned Net Creditor Recovery Amounts to each Affected Creditor.

For greater certainty, under no circumstances will an Affected Creditor be entitled to receive any funds from the Company or the Proposal Trustee other than its pro-rata share of the Net Creditor Recovery Amounts;

## **6.7 Interest on Claims**

Interest will not accrue or be paid on Affected Claims after or in respect of the period following the Filing Date.

# **ARTICLE 7 MECHANICS OF IMPLEMENTATION**

## **7.1 Implementation Steps**

Upon the Company completing the deliveries contemplated by Article 6, and the fulfillment, satisfaction or waiver of the conditions set out in Section 10.1, the following steps and releases to be taken and effected in implementation of this Stalking Horse Proposal will occur, and be deemed to have occurred and be taken and effected, immediately in sequence in the following order, without any further act or formality, on the Proposal Implementation Date beginning at the Effective Time:

- (a) the Articles will be amended and filed with the Alberta Registrar of Corporations as required by Section 192(4) of the ABCA, such that two classes of shares shall be authorized: New Shares and Redeemable Shares, and the Class C Common Shares Class D Common Shares, Class E Common Shares, and Preferred Shares in the capital of the Company of which there are no issued or outstanding shares shall be cancelled in their entirety;
- (b) all Existing Shares will be re-designated as fully paid and non-assessable Redeemable shares, on a one-for-one basis;
- (c) all Redeemable Shares will be redeemed, cancelled, and extinguished for their fair market value (being nil) in accordance with Section 5.3;
- (d) concurrently with Step 7.1(c), the Company will issue 10,000 New Shares to the Stalking Horse Bidder in full and final satisfaction of the Interim Financing Obligations;

- (e) all Claims that are not Unaffected Claims shall be released, barred, and extinguished in the manner provided for in Section 5.1;
- (f) the releases contained in Section 8.1 will become effective;
- (g) the New Directors will be appointed as directors of the Company in accordance with Section 192(3)(b) of the ABCA; and,
- (h) the BIA Charges will be deemed to be fully satisfied, released, and discharged (effective, in the case of the Administration Charge, on the filing by the Proposal Trustee of the certificate under Section 9.2(h)).

Upon the completion of the sequential steps referred to in this Section 7.1 and upon issuance by the Alberta Registrar of Corporations of a certificate of amendment in respect of the Articles, the Company will forthwith deliver a copy of such certificate to the Proposal Trustee.

## **ARTICLE 8 RELEASES**

### **8.1 Releases**

Effective on Proposal Implementation in accordance with Section 7.1, each of the Company, the Stalking Horse Bidder, and the Proposal Trustee together with their respective advisors, counsel, agents, Officers, Directors, and assigns (each, a "**Released Party**") shall be released and discharged from any and all demands, Claims, actions, causes of action, counterclaims, suits, debts, sums of money, accounts, covenants, damages, judgments, orders (including for injunctive relief or specific performance and any compliance orders), expenses, executions, attachments, garnishments, Encumbrances and other recoveries on account of any liability, Obligation, demand or cause of action of whatsoever nature which any Creditor or other Person may be entitled to assert, including any Claims, whether known or unknown, matured or unmatured, foreseen or unforeseen, existing or hereafter arising, in each of the foregoing cases based in whole or in part on any act or omission, transaction, duty, responsibility, indebtedness, liability, Obligation, dealing or other occurrence existing or taking place on or prior to Proposal Implementation in any way relating to, arising out of or in connection with any Claims, the arrangement, compromise and restructuring contemplated in this Stalking Horse Proposal, the Business, the administration of this Stalking Horse Proposal or the BIA Proceedings, and all Claims arising out of such actions or omissions will be forever waived and released, all to the full extent permitted by Applicable Law, provided that nothing in this Stalking Horse Proposal shall release or discharge:

- (a) the Company from any Unaffected Claims or any Obligation to any Person created by this Stalking Horse Proposal; or,
- (b) a Released Party from any criminal or fraudulent misconduct; or,
- (c) solely as it pertains to any Released Party who is a Director or Officer, any Claim that relates to contractual rights of one or more Creditors or are based on allegations of misrepresentation made by any Director or Officer to Creditors or wrongful or oppressive conduct by such Directors or Officers.



## ARTICLE 9 COURT APPROVAL

### 9.1 Application for the Proposal Approval Order

If the Required Majority approves this Stalking Horse Proposal, the Proposal Trustee will promptly apply for the Proposal Approval Order.

### 9.2 Proposal Approval Order

The Order of the Court approving this Stalking Horse Proposal (the "**Proposal Approval Order**"), substantially in the form attached as **Schedule "C"** to this Stalking Horse Proposal, will be made pursuant to the BIA and the ABCA and will, among other things:

- (a) declare that this Stalking Horse Proposal is fair and reasonable and the Successful Bid;
- (b) declare that as of the Proposal Implementation Date, this Stalking Horse Proposal and all associated steps, transactions, arrangements, assignments, releases, and reorganizations effected hereby are approved, binding and effective as herein set out upon the Company, all Affected Creditors, all Unaffected Creditors, the Existing Shareholders and all other Persons and parties affected by this Stalking Horse Proposal;
- (c) declare that the steps to occur, be taken and be effected, and the releases to be effected, on Proposal Implementation are deemed to occur, be taken and effected, and be effective in the sequential order contemplated by Section 7.1 on the Proposal Implementation Date, beginning at the Effective Time;
- (d) declare that all Obligations and agreements listed in **Schedule "B"** will be and remain in full force and effect, unamended, as at Proposal Implementation Date, and no party to any such Obligation or agreement will, on or following the Proposal Implementation Date, accelerate, terminate, refuse to renew, rescind, refuse to perform or otherwise repudiate its Obligations thereunder, or enforce or exercise (or purport to enforce or exercise) any right or remedy under or in respect of any such Obligation, agreement or lease, by reason:
  - (i) of any event which occurred prior to, and not continuing after, the Proposal Implementation Date or which is or continues to be suspended or waived under this Stalking Horse Proposal, which would have entitled any other party thereto to enforce those rights or remedies;
  - (ii) that the Company has sought or obtained relief or has taken steps as part of this Stalking Horse Proposal or under the BIA or ABCA;
  - (iii) of any default or event of default arising as a result of the financial condition or insolvency of the Company;
  - (iv) of the effect upon the Company of the completion of any of the transactions contemplated under this Stalking Horse Proposal; or

- (v) of any restructurings or reorganizations effected pursuant to this Stalking Horse Proposal;
- (e) declare that all Claims (other than Unaffected Claims) are forever barred and extinguished, the Company is discharged and released from any and all Claims of any nature or kind in accordance with this Stalking Horse Proposal, the ability of any Person to proceed against the Company in respect of or relating to any Claims (other than Unaffected Claims) is forever discharged and restrained and all proceedings with respect to, in connection with or relating to such Claims are permanently stayed, subject only to the rights of the Affected Creditors and Unaffected Creditors as provided for in this Stalking Horse Proposal, provided that nothing shall release or discharge (a) the Company from any Obligation owed to any Person pursuant to this Stalking Horse Proposal, or (b) a Released Party from any criminal or fraudulent conduct;
- (f) stay, suspend and forever extinguish the commencing, taking, applying for or issuing or continuing any and all steps or proceedings, including administrative hearings and orders, declarations or assessments, commenced, taken or proceeded with or that may be commenced, taken or proceeded with against any Released Party in respect of all Claims and any other matter released pursuant to Section 8.1;
- (g) authorize and direct the Proposal Trustee and the Company to perform their respective functions and fulfil their respective Obligations and duties as applicable under this Stalking Horse Proposal to facilitate the implementation of this Stalking Horse Proposal;
- (h) declare that upon completion by the Proposal Trustee of its duties in respect of the Company pursuant to the BIA and the Orders, the Proposal Trustee may file with the Court the Proposal Trustee's Certificate, stating that all of its duties in respect of the Company pursuant to the BIA and the Orders have been completed and thereupon, without further Order of the Court, the Proposal Trustee will be discharged from its duties as Proposal Trustee of the Company and the Administration Charge will be terminated and released; and
- (i) declare that the Company, the Proposal Trustee, the Affected Creditors, or any other interested Person may apply to the Court for advice and direction in respect of any matter arising from or under this Stalking Horse Proposal.

## **ARTICLE 10**

### **CONDITIONS TO PROPOSAL IMPLEMENTATION**

#### **10.1 Conditions to Proposal Implementation**

Proposal Implementation will be conditional upon the fulfillment, satisfaction, or waiver (in accordance with Section 10.2) of the following conditions:

- (a) this Stalking Horse Proposal will have been approved by the Required Majority of Affected Creditors;

- (b) the Court will have granted the Proposal Approval Order, the operation and effect of which will not have been stayed, reversed or amended, and all applicable appeal periods in respect of the Proposal Approval Order will have expired and in the event of an appeal or application for leave to appeal, final determination of such appeal or such application for leave to appeal upholding the Proposal Approval Order will have been made by the applicable appellate Court; and,
- (c) all regulatory approvals, consents, waivers, and filings that are required in respect of this Stalking Horse Proposal shall have been obtained, approved, or granted.

## **10.2 Waiver**

The Stalking Horse Bidder may at any time waive in writing the fulfillment or satisfaction, in whole or in part, of any one or more of the conditions set out in Section 10.1 (b) and (c).

## **10.3 Proposal Trustee's Certificate of Proposal Implementation**

Upon the delivery of written notice from the Company of the satisfaction, fulfillment or waiver of the conditions set out in Section 10.1, and the completion of the steps, deliveries and filings set out in Section 7.1, the Proposal Trustee will deliver to the Company a certificate stating that Proposal Implementation has occurred and that this Stalking Horse Proposal and the Proposal Approval Order are effective in accordance with their respective terms (the "**Proposal Trustee's Certificate**"). Following the Proposal Implementation Date, the Proposal Trustee will file the Proposal Trustee's Certificate with the Court and will deliver copies thereof to the Affected Creditors.

# **ARTICLE 11 GENERAL**

## **11.1 Binding Effect**

At the Effective Time:

- (a) this Stalking Horse Proposal will become effective;
- (b) the treatment of Affected Creditors and Existing Shareholders under this Stalking Horse Proposal will be final and binding for all purposes and enure to the benefit of the Company, all Affected Creditors, all Released Parties and all other Persons and parties named or referred to in, or subject to, this Stalking Horse Proposal and their respective heirs, executors, administrators and other legal representatives, successors, and assigns;
- (c) each Affected Creditor will be deemed to have consented and agreed to all of the provisions of this Stalking Horse Proposal in its entirety;
- (d) all Claims that are not Affected Claims or Unaffected Claims shall be conclusively barred and extinguished; and,

- (e) each Creditor will be deemed to have executed and delivered to the Company all consents, releases, assignments, and waivers, statutory or otherwise, required to implement and carry out this Stalking Horse Proposal in its entirety.

## **11.2 Waiver of Defaults**

From and after the Proposal Implementation Date, all Persons will be deemed to have waived any and all defaults or events of default of the Company then existing or previously committed by the Company, or caused by the Company, any of the provisions in this Stalking Horse Proposal or steps contemplated in this Stalking Horse Proposal, or non-compliance with any covenant, warranty, representation, term, provision, condition or Obligation, expressed or implied, in any contract, instrument, credit document, lease, guarantee, agreement for sale or other agreement, written or oral, and any and all amendments or supplements thereto, existing between such Person and the Company and any and all notices of default and demands for payment or any step or proceeding taken or commenced in connection therewith under any such agreement will be deemed to have been rescinded and of no further force or effect, provided that nothing will be deemed to excuse the Company from performing its Obligations and duties under this Stalking Horse Proposal or be a waiver of defaults by the Company under this Stalking Horse Proposal and the related documents. This Section does not affect the rights of any Person to pursue any recoveries for a Claim that may be obtained from a guarantor (other than the Company) and any security granted by such guarantor.

## **11.3 Deeming Provisions**

In this Stalking Horse Proposal, the deeming provisions are not rebuttable and are conclusive and irrevocable.

## **11.4 Non-Consummation**

If Proposal Implementation does not occur by November 30, 2022 or such later period as agreed to in writing by the Company, the Stalking Horse Bidder, and the Proposal Trustee, (a) this Stalking Horse Proposal will be null and void in all respects, and (b) nothing contained in this Stalking Horse Proposal, and no acts taken in preparation for consummation of this Stalking Horse Proposal, will (i) constitute or be deemed to constitute a waiver or release of any Claims by or against the Company or any other Person; (ii) prejudice in any manner the rights of the Company or any other Person in any further proceedings involving the Company; or, (iii) constitute an admission of any sort by the Company or any other Person.

## **11.5 Modification of Stalking Horse Proposal**

- (a) The Stalking Horse Bidder and Company may at any time and from time to time, amend, restate, modify and/or supplement this Stalking Horse Proposal, with the prior consent of the Proposal Trustee and, if the amendment, restatement, modification or supplement is adverse to the financial or economic interests of the Affected Creditors, with the prior consent of the Required Majority of the Affected Creditors, provided that any such amendment, restatement, modification or supplement must be contained in a written document which is filed with the Court and (i) if made prior to the Creditors' Meeting, communicated to the Affected Creditors in the manner required by the Court (if so required); and (ii) if made

following the Creditors' Meeting, approved by the Court on notice to the Affected Creditors.

- (b) Notwithstanding Section 11.5(a), any amendment, restatement, modification or supplement may be made by the Stalking Horse Bidder and Company with the prior consent of the Proposal Trustee, and pursuant to an Order following the making of the Proposal Approval Order, if such amendment, restatement, modification or supplement concerns a matter which, in the opinion of the Company, the Stalking Horse Bidder and the Proposal Trustee is of an administrative nature required to better give effect to Proposal Implementation and the Proposal Approval Order, or is required in order to cure any errors, omissions or ambiguities and is not adverse to the financial or economic interests of the Affected Creditors.
- (c) Any amended, restated, modified or supplementary proposal or plans of arrangement and reorganization filed with the Court and, if required by this Section, approved by the Court with the prior consent of the Stalking Horse Bidder, the Proposal Trustee (and, if necessary, in accordance with this Section, the Affected Creditors), will, for all purposes, be and be deemed to be a part of and incorporated into this Stalking Horse Proposal.

#### **11.6 Severability of Stalking Horse Proposal Provisions**

If, prior to the Proposal Implementation Date, any term or provision of this Stalking Horse Proposal is held by the Court to be invalid, void or unenforceable, then, at the request of the Company and subject to the prior consent of the Stalking Horse Bidder and the Proposal Trustee, acting reasonably, it is expressly acknowledged that the Court will have the power to either (a) sever such term or provision from the balance of this Stalking Horse Proposal and provide the Company, the Stalking Horse Bidder and the Required Majority of the Affected Creditors (to the extent such severance may adversely affect the Affected Creditors) with the option to proceed with the implementation of the balance of this Stalking Horse Proposal as of and with effect from the Proposal Implementation Date, or (b) alter and interpret such term or provision to make it valid or enforceable to the maximum extent practicable, consistent with the original purpose of the term or provision held to be invalid, void or unenforceable, and such term or provision will then be applicable as altered or interpreted, provided that the Stalking Horse Bidder and the Required Majority of Affected Creditors (to the extent such alteration or interpretation may adversely affect the Affected Creditors) have approved such alteration or interpretation, acting reasonably. Notwithstanding any such holding, alternation, or interpretation, and provided that the Company proceeds with the implementation of this Stalking Horse Proposal, the remainder of the terms and provisions of this Stalking Horse Proposal will remain in full force and effect and will in no way be affected, impaired, or invalidated by such holding, alteration, or interpretation.

#### **11.7 Responsibilities of the Proposal Trustee**

Alvarez & Marsal Canada Inc. is acting solely in its capacity as Proposal Trustee in the BIA Proceedings and this Stalking Horse Proposal with respect to the Company and not in its personal or corporate capacity. Alvarez & Marsal Canada Inc. is not and will not be responsible or liable for any Claims against, or Obligations of, the Company.

The Affected Creditors may appoint one or more inspectors of the estate of the Company in accordance with Section 56 of the BIA.

## **11.8 Notices**

Any notice or other communication to be delivered hereunder must be in writing and refer to this Stalking Horse Proposal and may, subject as hereinafter provided, be made or given by personal delivery, registered mail or e-mail addressed to the recipient(s) as follows:

(a) If to the Company:

**PetroLama Energy Canada Inc.**  
Suite 330, 715 – 5th Avenue SW  
Calgary, AB, T2P 2X7

Attention: Paul Joslyn  
E-mail: [pjoslyn@petrolama.com](mailto:pjoslyn@petrolama.com)

with a copy to:

**Jensen Shawa Solomon Duguid Hawkes LLP**  
Suite 800, 304 8 Ave SW  
Calgary, AB T2P 1C2

Attention: Christa Nicholson QC /Angad Bedi  
E-mail: [nicholsonc@jssbarristers.ca](mailto:nicholsonc@jssbarristers.ca) / [bedia@jssbarristers.ca](mailto:bedia@jssbarristers.ca)

(b) If to the Proposal Trustee:

**Alvarez and Marsal Canada Inc.**  
Suite 1110, 250 6th Ave SW  
Calgary, AB T2P 3H7

Attention: Orest Konowalchuk / Cassie Riglin  
E-mail: [okonowalchuk@alvarezandmarsal.com](mailto:okonowalchuk@alvarezandmarsal.com) / [criglin@alvarezandmarsal.com](mailto:criglin@alvarezandmarsal.com)

with a copy to:

**Blake, Cassels & Graydon LLP**  
Suite 3500, 855 2<sup>nd</sup> St SW  
Calgary, AB T2P 4J8

Attention: Kelly Bourassa/James Reid  
Email: [kelly.bourassa@blakes.com](mailto:kelly.bourassa@blakes.com) / [james.reid@blakes.com](mailto:james.reid@blakes.com)

(c) If to the Stalking Horse Bidder

**884304 Alberta Ltd.**

4 Muirfield Close  
Lyalta, AB T0J 1Y1

Attention: Scott Holmes  
E-mail: sholmes@bbrosenergy.com

or to such other address as any such party may from time to time notify the others in accordance with this Section. Any such communication so given or made will be deemed to have been given or made and to have been received on the day of delivery if delivered, or on the day of e-mail or sending by other means of recorded electronic communication, provided that such day in either event is a Business Day and the communication is so delivered, e-mailed or sent before 5:00 p.m. (Calgary time) on such day. Otherwise, such communication will be deemed to have been given and made and to have been received on the next following Business Day.

### **11.9 Paramountcy**

From and after the Effective Time on the Proposal Implementation Date, any conflict between this Stalking Horse Proposal and the covenants, warranties, representations, terms, conditions, provisions or Obligations, express or implied, of any contract, mortgage, security agreement, indenture, note, loan agreement, commitment letter, agreement for sale, lease or other agreement, written or oral, and any and all amendments or supplements thereto existing between any Person and the Company as at the Proposal Implementation Date, will be deemed to be governed by the terms, conditions and provisions of this Stalking Horse Proposal and the Proposal Approval Order, which will take precedence and priority.

### **11.10 Further Assurances**

Each of the Persons named or referred to in, or subject to, this Stalking Horse Proposal will execute and deliver all such documents and instruments and do all such acts and things as may be necessary or desirable to carry out the full intent and meaning of this Stalking Horse Proposal and to give effect to the transactions contemplated herein.

DATED as of the [●] day of [●], 2022.

**Schedule "A"**

**Contracts to be Repudiated**

Terminal Services Agreement by and between Phillips 66 Gulf Coast Property LLC and Petrolama Energy Canada Inc. for terminal services in Nederland, Texas made and entered into as of August 20, 2018.
Crude Oil Storage Agreement made effective as of May 14, 2018 by and between Keyera Energy Inc., as operator and Petrolama Energy Canada Inc.
Crude Oil Storage Agreement made effective as of May 15, 2018 by and between Keyera Energy Inc., as operator and Petrolama Energy Canada Inc.



**Schedule "B"**

**Retained Contracts**

Commodities Sales/Purchase Agreement dated April 19, 2019, between the Petrolama Energy Canada Inc., as buyer, Lago Energy Corp., as seller, and Navitas Energy Group Ltd., as Lender, as amended by a Waiver and Amendment to Commodities Agreement dated May 18, 2021.
Marketing Incentive Agreement dated April 11, 2019 between Petrolama Energy Canada Inc. and Navitas Energy Group Ltd.
Deal Confirmation dated October 28, 2020 between Petrolama Energy Canada Inc. and Gunvor USA, LLC., as amended on November 12, 2020.
Investment Acknowledgement dated January 19, 2021 between Navitas Energy Group Ltd., Petrolama Energy Canada Inc., and LOTAM Capital Inc.
Investment Acknowledgement dated February 1, 2021 between Navitas Energy Group Ltd., Petrolama Energy Canada Inc., and Brian N Clark.
Investment Acknowledgement dated February 1, 2021 between Navitas Energy Group Ltd., Petrolama Energy Canada Inc., and OdysseyNRG Ltd.
Loan Agreement dated May 2021 between Petrolama Energy Canada Inc., as Company, and U.S. Venture Inc., as Lender.
Services Agreement made as of April 15, 2021 between Petrolama Energy Canada Inc. and 266 Deer Run Ponte Vedra LLC.

**Schedule "C"**

**Form of Proposal Approval Order**