

# Sales and Investment Solicitation Process – Division 1 Proposal

## Acquisition Opportunity: Petrolama Energy Canada Inc.

*North American Energy business, participating in an extraction project in Texistepec, Mexico*



# Acquisition Opportunity

## About Petrolama Energy Canada Inc.

Petrolama Energy Canada Inc. ("**Petrolama**" or the "**Company**"), is a Calgary based oil and gas energy company.

In April 2019, the Company started a new project in Mexico with two US based companies: Lago Energy Corp. and Deep Blue Petroleum LLC. The project contemplates using Deep Blue Petroleum's technology to extract residue waste material from a long-standing pool or lagoon in Texistepec, Mexico that is on site from prior years of significant mining (the "**Mexico Project**").

Throughout 2019 and 2020, the Company invested in the Mexico Project with a goal to ship residue material to US Gulf Coast refineries as feedstock. It is estimated that there will be 4 million barrels of the residue material recovered.

A Commodities Sales/Purchase Agreement (the ("**Agreement**") was entered into in 2019, and subsequently amended in 2021, which allows Petrolama to sell the crude oil extracted from the residue materials and pay the proceeds to the service providers, suppliers and financiers who have contributed to the Mexico Project pursuant to a waterfall payment structure as outlined in the Agreement. Pursuant to the Agreement, Petrolama has the potential to collect marketing fees from the sale of each barrel and has the potential to further collect a portion of the residual proceeds of sales pursuant to the Agreement.

In addition to the Mexico Project, Petrolama has a deferred tax asset of approximately \$1.5 million which was created on the 2020 and 2021 tax returns.

## Division 1 Proposal

On July 27, 2022, Petrolama Canada Energy Inc. filed a Notice of Intention to Make a Proposal, pursuant to section 50.4(1) of the *Bankruptcy and Insolvency Act* and Alvarez & Marsal Canada Inc. ("**A&M**") was named as the Proposal Trustee. Furthermore, the Court of Queen's Bench of Alberta (the "**Court**") granted an order (the "**Order**") approving a sales and investment solicitation process ("**SISP**") and a stalking horse proposal as the "Stalking Horse Bid" thereunder on August 10, 2022.

The SISP allows A&M and the Company to solicit further offers for the Company or assets of the Company that may be superior to the "Stalking Horse Bid", including its deeming of the Stalking Horse Proposal to be, among other things, a Qualified Bid. Further information regarding the SISP can be found on the following page or on A&M's website at [www.alvarezandmarsal.com/petrolama](http://www.alvarezandmarsal.com/petrolama).

## Acquisition Highlights



\$9.25 million USD of invested capital in the Mexico Project



Proceeds received from the sale of potentially over 4 million barrels of residue materials



Potential gross profit to Petrolama of over \$18.0 million USD under the Commodities Sale/Purchase Agreement



Deferred Tax Asset of approximately \$1.5 million



# Additional Information



## Next Steps

A&M is conducting the SISP in accordance with the Court Order dated August 10, 2022. The respective SISP documents can be found on the Proposal Trustee's website: [www.alvarezandmarsal.com/petrolama](http://www.alvarezandmarsal.com/petrolama).

Per the SISP, any interested party must abide by the following:

- **Purchase Price:** Must be a "Superior Offer" as defined in the SISP
- **Bid Deadline:** 5:00pm (Calgary Time) on **September 23, 2022**
  - 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 complete the Stalking Horse Proposal and the transactions provided for therein
  - In the event that the Proposal Trustee determines that one or more Qualified Bids constitutes a Superior Offer, the Proposal Trustee may approach all Qualified Bidders to submit a highest and best offer. The Proposal Trustee shall select the highest or best Qualified Bid, notify that party as soon as practicable and seek court approval of same.
- The Court approved SISP includes a Court approved Stalking Horse Proposal, a copy of the Stalking Horse Proposal is available for review on the Proposal Trustee's website.
- The Stalking Horse Proposal contemplates a transaction whereby the proposed purchaser becomes the sole shareholder of the Company in exchange for providing funding under the NOI proceedings and making a proposal to the creditors of the Company to share in the Company's profits generated from under the Agreement.
- Petrolama Energy Canada Inc. and/or its assets are being offered on an "as is where is" basis and without surviving representations, warranties, covenants or indemnities of any kind, nature, or description by the Proposal Trustee whatsoever.

Interested parties who wish to pursue a potential acquisition are required to execute a Non-Disclosure Agreement, which is available upon request, in order to receive access to additional information. Please contact a representative of the Proposal Trustee listed below for further information.

A&M reserves the right at any time to amend or terminate these sale procedures, to decline an interested party the ability to participate in the process, to terminate the discussions with any or all interested parties, to reject any or all offers, or to negotiate with any party with respect to a possible transaction.

**Alvarez & Marsal**  
Bow Valley Square 4  
Suite 1100, 250 6th Ave SW  
Calgary, Alberta T2P 3H7

**Stephen Oosterbaan**  
Associate  
Calgary | 403.538.7555  
[soosterbaan@alvarezandmarsal.com](mailto:soosterbaan@alvarezandmarsal.com)

**Jill Strueby**  
Senior Director  
Calgary | 403.538.7529  
[jstrueby@alvarezandmarsal.com](mailto:jstrueby@alvarezandmarsal.com)

**Cassie Riglin**  
Senior Vice President  
Calgary | 403.538.7519  
[criglin@alvarezandmarsal.com](mailto:criglin@alvarezandmarsal.com)

**Orest Konowalchuk**  
Senior Vice President  
Calgary | 403.538.4736  
[okonowalchuk@alvarezandmarsal.com](mailto:okonowalchuk@alvarezandmarsal.com)