January 14, 2014

Dear [Redacted]

Re: Your request for access to information under Part II of the Access to Information and Protection of Privacy Act, file # NR-014-2014

On September 30, 2014, the Department of Natural Resources received your request for access to the following records/information:

All briefing notes, information notes, financial analyses, discussion papers and/or reports concerning the Come-by-Chance oil refinery since January 1, 2012.

As of October 21, 2014, the scope of your request had been narrowed to the following:

All briefing notes, information notes, financial analyses, discussion papers and/or reports concerning the Come-by-Chance oil refinery since January 1, 2014.

On November 12 I wrote to notify you that the timeline for your request was being extended by 30 days due to the need to consult with external third parties and/or other public bodies. At that time, we expected that we would provide a response to you by December 15. On December 12 another 30-day extension was applied as additional time was necessary in order to complete consultations with external third parties. This second extension was issued with approval from the Office of the Information and Privacy Commissioner and revised the request deadline to January 14, 2015.
I am pleased to inform you that your request for access to these records has been granted, in part. Access to some information contained within the records has been refused in accordance with the following exceptions to disclosure, as specified in the Access to Information and Protection of Privacy Act (the Act):

14(1) The head of a public body may refuse to disclose a record or part of a record that
(a) is published and is available to the public without cost or for purchase

18(1) In this section
(a) "cabinet record" means
(vi) a record used for or which reflects communications or discussions among ministers on matters relating to the making of government decisions or the formulation of government policy,
(ix) that portion of a record which contains information about the contents of a record within a class of information referred to in subparagraphs (i) to (viii);

(c) "official cabinet record" means a cabinet record referred to in paragraph (a) which has been prepared for and considered in a meeting of the Cabinet,
(d) "supporting cabinet record" means a Cabinet record referred to in paragraph (a) which informs the Cabinet process, but which is not an official cabinet record.

18(2) The head of a public body shall refuse to disclose to an applicant a Cabinet record, including
(a) an official Cabinet record,
(c) a supporting Cabinet record.

20(1) The head of a public body may refuse to disclose to an applicant information that would reveal
(a) advice, proposals, recommendations, analyses or policy options developed by or for a public body or minister; and,
(c) consultations or deliberations involving officers or employees of a public body, a minister or the staff of a minister.

24(1) The head of a public body may refuse to disclose to an applicant information which could reasonably be expected to disclose
(f) positions, plans, procedures, criteria or instructions developed for the purpose of contractual or other negotiations by or on behalf of the government of the province or a public body, or considerations which relate to those negotiations;

27. (1) The head of a public body shall refuse to disclose to an applicant information that would reveal
(b) commercial, financial, labour relations, scientific or technical information of
a third party, that is supplied, implicitly or explicitly, in confidence and is treated consistently as confidential information by the third party; or

(c) commercial, financial, labour relations, scientific or technical information the disclosure of which could reasonably be expected to

(i) harm the competitive position of a third party or interfere with the negotiating position of the third party,

(ii) result in similar information no longer being supplied to the public body when it is in the public interest that similar information continue to be supplied,

(iii) result in significant financial loss or gain to any person or organization.

30. (1) The head of a public body shall refuse to disclose personal information to an applicant where the disclosure would be an unreasonable invasion of a third party's personal privacy.

As required by subsection 7(2) of the Act we have severed information that is excepted from disclosure and have provided you with as much information as possible. In accordance with your request for a copy of the records, the appropriate copies have been enclosed.

Section 43 of the Act provides that you may ask the Information and Privacy Commissioner to review this partial refusal of access or you may appeal the refusal to the Supreme Court Trial Division. A request to the Information and Privacy Commissioner shall be made in writing within 60 days of the date of this letter or within a longer period that may be allowed by the Commissioner. In the event that you choose to appeal to the Trial Division, you must do so within 30 days of the date of this letter. Section 60 of the Act sets out the process to be followed when filing such an appeal.

Please note that for records that are refused on the basis of section 18(2)(a) (official cabinet record), you must appeal directly to the Supreme Court Trial Division within 30 days of the date of this letter, pursuant to section 60. You may also contact the Office of the Information and Privacy Commissioner who may decide to initiate an appeal pursuant to subsection 60(1.1).

The address and contact information of the Information and Privacy Commissioner is as follows:

Office of the Information and Privacy Commissioner
2 Canada Drive
P. O. Box 13004, Stn. A
St. John's, NL. A1B 3V8

Telephone: (709) 729-6309;
Facsimile: (709) 729-6500
Please be advised that responsive records will be published following a 72 hour period after the response is sent electronically to you or five business days in the case where records are mailed to you. It is the goal to have the responsive records posted to the Office of Public Engagement’s website within one business day following the applicable period of time. Please note that requests for personal information will not be posted online.

If you have any further questions, please feel free to contact the department’s ATIPP Coordinator at (709) 729-3214.

Sincerely,

[Signature]

CHARLES W. BOWN
Deputy Minister
Meeting Note
Department of Natural Resources
Harvest Operations Corp
January 15, 2014
Premier’s Boardroom
9:30 AM

Attendees:
Harvest Operations Corp
Harvest Operations (Biography attached)
Harvest Operations
North Atlantic Refining
North Atlantic Refining

Government of Newfoundland & Labrador
Tom Hedderston, Parliamentary Assistant to Premier
Ross Reid, Chief of Staff
Lynette Carroll, Deputy Chief of Staff
Julia Mullaly, Clerk of the Executive Council
Paula Burt, Deputy Clerk & Assistant Secretary to Cabinet
Charles Bown, Deputy Minister, Natural Resources
Martin Gobel, Assistant Deputy Minister, Environment & Conservation
Alastair O’Rielly, Deputy Minister, Innovation Business & Rural Development
Rod Forsey, Finance
Alton Hollett, Finance
Wayne Andrews, Director of Energy Economics

Purpose of Meeting:
will provide an update on Harvest’s efforts to sell the Come By Chance refinery. He is likely
to discuss ways and means that government could help to facilitate a sale and will raise legacy
environment issues at the refinery site.

Background and Current Status:
Harvest Operations Corporation (Harvest):

- Harvest is a Canadian energy company originally formed in July 2002 as a trust. Harvest’s assets
  include:
  - Upstream oil and gas production in 2013 in AB, SK and BC estimated at 53,000 barrels of oil
equivalent/day (boe/d) comprised of 66% liquids (crude oil & natural gas liquids) and 34%
natural gas.
  - Approximately 300,000 net acres of undeveloped land.
  - The Come By Chance oil refinery and other downstream storage and retail assets in
Newfoundland & Labrador (NL) as operated by its subsidiary North Atlantic.

- In October 2009, the Korean National Oil Corporation (KNOC) and Harvest Energy Trust
announced an agreement to sell Harvest’s interests/assets to KNOC for a total cash consideration of
C$1.8 billion and assumption of C$2.3 billion in Harvest’s debt obligations. KNOC completed the
purchase of Harvest’s outstanding units in December 2009. In May 2010, Harvest announced
completion of amalgamation with KNOC and that the company would continue as single entity named Harvest Operations Corp.

North Atlantic Refinery:
- Shaheen Resources built the Come By Chance refinery between 1971 and 1973. It was commissioned in late 1973 and operated until 1976 when the company filed for bankruptcy protection and the refinery was shut down. After numerous subsequent changes in ownership, Harvest purchased the North Atlantic Refinery from Vitol for $1.6 billion in October 2006.
- The refinery has a capacity of 115,000 barrels per day (b/d) and is configured to process medium sour crude oil which generally tends to sell at a discount to West Texas Intermediate (WTI) light, sweet crude oil. Examples of refined products include gasoline of different grades, diesel fuel, jet fuel, furnace oil and heavier fuel oil.
- Annually, approximately 90% of the refinery’s product output is sold into export markets with up to about 10% sold locally in NL. Current export markets include Europe, Asia, Latin America and the eastern US.
- There are approximately 500 employees at the Come By Chance Refinery.

Other Harvest Interests/Operations in NL:
- North Atlantic’s marketing division is headquartered in St. John's and is comprised of five business segments: retail, home heating, commercial, wholesale and bunkers.
  - Retail operations include 52 retail gasoline stations and 3 commercial cardlock locations.
  - Home heating business delivers furnace oil and propane to residential and commercial customers, while a residential home heating supplier providing a furnace parts maintenance program, emergency burner service and heating system installations.
  - Commercial business includes delivery of distillates, jet fuel, propane and #6 fuel oil to commercial heating, marine, aviation, trucking and construction sectors.
  - Wholesale business provides distillates, jet fuel and propane to wholesale customers from its wharf and truck rack facilities.
  - Bunker business sells bunker fuel oils to crude oil and refined product tanker vessels at its wharf facilities at the refinery.

September 4th Meeting and Follow up Discussions:
- On September 4, 2013 officials from Harvest, North Atlantic Refining Limited (NARL) and Global Public Affairs met with DNR staff. DNR was provided with an overview of the corporate ownership structure, upstream and downstream assets, the historical profitability of downstream activities and options around its operational future. S. 27(1)(b), S. 27(1)(c)(i)
- DNR was informed that the refinery requires US dollars per barrel in an average refining margin in order to be profitable. Since taking over the refinery in October 2006, Harvest’s average refining margin has US per barrel for 6 of the last 27 quarters ending June 2013 (See attachment 2). S. 27(1)(b), S. 27(1)(c)(i)
- Given the historical and current financial performance of the refinery and other retail and marketing operations in the province, Harvest has indicated that its only downstream business segment in NL does not fit with its current investment strategy and plans to change its focus to only upstream activities in Canada. A summary of Harvest’s 2nd quarter 2013 financial and operational indicators is included in attachment 3.
- In transition to a sole upstream investment focus, Harvest has hired seven industry advisors of various disciplines including an economic advisor to analyze various future commercial options such as:
o Negotiation and sale of downstream assets;
 o Shutdown current operations until sale of downstream assets to a third party buyer;
 o Shutdown and reconfigure operational structure to a storage terminal business;
 o Shutdown/decommission of all downstream assets;
 o Other options are also being considered but were not elaborated on at the September 4th meeting.

• In the September 4th meeting, Harvest indicated that it expected a report from its economic advisor by the end of September and that it has provided detailed corporate data to potential buyers under Confidentiality Agreements (CA’s). If successful, Harvest anticipates finalization of a sale at some point in the first quarter of 2014. It has been reported by VOCM that Harvest is currently in commercial negotiations with interested parties including Irving Oil.

S. 30(1)

• On September 27th NARL’s [REDACTED] contacted DNR to discuss potentially accessing crude oil produced offshore via the province’s equity interest as an alternate and less expensive refinery feedstock. [REDACTED] was seeking to understand if there were any potential savings on price due to proximity and made it clear to DNR that NARL was not looking for a subsidy on purchased crude oil feedstock.

S. 30(1)

• Following September 27th, DNR advised Nalcor of the refinery feedstock related discussion and provided NARL with the appropriate Nalcor contact information. NARL and Nalcor discussed the matter and upon NARL’s better understanding of Nalcor’s projected production rates, logistics at NTL, lifting in combination with other partners and marketing, tanker sizes, and Nalcor fees for transportation and marketing being very competitive, it was realized that this would not provide a practical solution to the problem.

• The Department of Finance also completed a confidential preliminary economic impact analysis of the Come-By-Chance oil refinery. Attachment 4 contains a copy and summary of the analysis.

• On October 16th Harvest contacted DNR to advise of existence of the Option Agreement dated August 15, 1994 between Newfoundland Processing Limited (a previous owner with successor rights transferred to Harvest) and the Province.
  o The agreement provides the Province with an irrevocable option to purchase the refinery lands and assets and shall be exercisable only upon Harvest providing a written notice (Trigger Notice) to the Province of its intention to permanently discontinue the business of refining or processing at the Refinery Lands.
  o Within 7 days of the Trigger Notice, the Province shall provide written notice to Harvest to either: (a) waive its right to exercise its option and release any claim to the refinery lands and assets; (b) exercise its option to purchase the refinery lands and assets but dispute the estimated value or (c) exercise its option to purchase the refinery lands and assets at the estimated value.
  o Failure by the Province to provide written notice within 7 days from the Trigger Notice results in an outcome with the same effect as highlighted in (c) above. The option Agreement is currently being reviewed by the Department of Justice. Schedules D, A and B of the Option Agreement are outlined in Attachment 5.

October 23rd Meeting:
• On October 23rd officials from Harvest, NARL and Global Public Affairs met with the Minister of Natural Resources and Minister of Finance to provide an update on its review of downstream operations in the province including a potential sale of the refinery in Come By Chance.
• Harvest advised that they are progressing discussions with potential bidders for the refinery and that Confidentiality Agreements have been signed with various interests. These proposals are now being reviewed and a short list is being prepared to which Harvest will make available detailed information regarding the refinery.

• Harvest anticipates engaging in formal negotiations with the bidders by early December with a view to finalizing a potential transaction by end of the calendar year.

• Harvest did not provide any details as to what the current proposals entail and/or any information as to who the potential bidders might be.

• Harvest did, however, ask if there might be any interest in the Province: 1) becoming involved/acquiring interest in the refinery and/or, 2) assisting with the current economic challenges facing the refinery going forward.

• The Province’s reaction to this ask was that it would prefer that the private marketplace be involved at this juncture and that this sale would include a continuation of current operations. Any decision regarding the Province in the refinery’s future would be a much larger policy process and decision.

• Harvest suggested that they would prefer that if there was any Provincial interest in the refinery that it be known and come sooner rather than later and that this interest be well understood while Harvest is also negotiating with other potential bidders.

• Harvest planned to update the NARL Union on October 24th and is committed to keep the Minister informed regarding these discussions any new information that becomes available.

Meeting with Klesch Group:
• On December 5, 2013 senior executive from Klesch Company Limited met with senior government officials. The meeting was requested by Klesch to introduce themselves as a potential buyer for the refinery.

• The Klesch Group is a global industrial commodities business with three divisions specializing in the production and trading of chemicals, metals and oil.

• Klesch was founded in 1990 and is headquartered in Geneva. They have revenues in excess of €5 billion, and employ more than 4,500 people across 40 locations in over 16 countries.

• The three cornerstones of the company’s business are:
  o acquisitions based on our forecast of their future value
  o optimizing operating efficiencies of the businesses we acquire to achieve those forecasts
  o mitigating business risks through commodity and currency trading strategies

• The only North American location of this company is in Matamoros, Mexico where they are in the industry of production of vinyl compounds.

• In November 2010 Kelsch Group acquired Heide Refinery in Germany and aims to expand its refining capacity through further acquisitions.

Prepared / Approved by: Wayne Andrews / Paul Carter

January 14, 2014

Note: Page 5 of this package has been redacted under Section 30; page 6 has been redacted under Section 27(1)(b) and 27(1)(c)(i).
## Harvest Operations: Select Financial and Operational Indicators

### CA$ Millions unless otherwise indicated

<table>
<thead>
<tr>
<th></th>
<th>Q2 2013</th>
<th>Q1 2013</th>
<th>Q2 2012</th>
<th>Difference from Last Quarter</th>
<th>Difference from Q2 2012</th>
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<tr>
<td><strong>Financial</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Upstream</td>
<td>$243.2</td>
<td>$236.2</td>
<td>$253.6</td>
<td>$7.0 (10.4)</td>
<td>($10.4)</td>
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<tr>
<td>Net Earnings/Income</td>
<td>($89.2)</td>
<td>($95.4)</td>
<td>($73.5)</td>
<td>$6.2 ($15.7)</td>
<td>($15.7)</td>
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<tr>
<td>Total Assets(^3)</td>
<td>5,606.6</td>
<td>5,672.1</td>
<td>6,277.5</td>
<td>-65.5 (-670.9)</td>
<td>-670.9</td>
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<tr>
<td>Total Shareholders’ Equity(^3)</td>
<td>2,524.5</td>
<td>2,603.2</td>
<td>3,303.3</td>
<td>($76.7) ($778.8)</td>
<td>($778.8)</td>
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<tr>
<td>Downstream Capital Expenditures</td>
<td>$10.1</td>
<td>$12.5</td>
<td>$6.5</td>
<td>($2.4) ($3.6)</td>
<td>($3.6)</td>
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<tr>
<td>Refined Product Sales(^4)</td>
<td>$1,156.1</td>
<td>$1,122.0</td>
<td>$1,280.2</td>
<td>$34.1 ($124.1)</td>
<td>($124.1)</td>
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<tr>
<td>Average Refining Margin (US$/bbl)</td>
<td>$0.74</td>
<td>$2.51</td>
<td>$2.71</td>
<td>($1.77) ($1.97)</td>
<td>($1.97)</td>
</tr>
<tr>
<td><strong>Operations</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Refinery Throughput (thousands of barrels/day)</td>
<td>106.2</td>
<td>100.1</td>
<td>114.6</td>
<td>6.2 -8.4</td>
<td>-8.4</td>
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<tr>
<td>Gasoline and related products</td>
<td>33%</td>
<td>29%</td>
<td>32%</td>
<td>4% 1%</td>
<td>1%</td>
</tr>
<tr>
<td>High sulphur fuel oil</td>
<td>20%</td>
<td>34%</td>
<td>24%</td>
<td>-14% -4%</td>
<td>-4%</td>
</tr>
</tbody>
</table>

1. Net of royalties and the effective portion of Harvest’s crude oil hedges.
2. Net of intra-segment sales reflecting the refined products produced by the refinery and sold by the marketing division.
3. As at June 30.
4. Capital asset additions (excluding acquisitions in the upstream).
5. Based on production volumes after adjusting for changes in inventory held for resale.
6. Numbers may not sum to totals due to rounding.
7. n/a represents not available or not applicable.

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## DOWNSTREAM OPERATIONS

### Summary of Financial and Operating Results

<table>
<thead>
<tr>
<th></th>
<th>Three Months Ended June 30</th>
<th>Six Months Ended June 30</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2013</td>
<td>2012</td>
</tr>
<tr>
<td><strong>FINANCIAL</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Refined products sales(^1)</td>
<td>1,156.1</td>
<td>1,280.2</td>
</tr>
<tr>
<td>Purchased products for processing and resale(^2)</td>
<td>1,135.5</td>
<td>1,238.8</td>
</tr>
<tr>
<td>Gross margin(^3)</td>
<td>20.6</td>
<td>41.4</td>
</tr>
<tr>
<td>Operating expense(^3)</td>
<td>31.3</td>
<td>30.8</td>
</tr>
<tr>
<td>Purchased energy expense</td>
<td>17.3</td>
<td>25.5</td>
</tr>
<tr>
<td>Marketing expense</td>
<td>1.3</td>
<td>1.0</td>
</tr>
<tr>
<td>General and administrative</td>
<td>0.1</td>
<td>0.1</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>22.2</td>
<td>26.7</td>
</tr>
<tr>
<td>Operating loss(^3)</td>
<td>(51.6)</td>
<td>(42.7)</td>
</tr>
</tbody>
</table>

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1. Includes refined product sales.
2. Excludes transportation and marketing costs.
4. Includes refining margin, other operating income and expenses, and royalty and lease-cost.
(1) Refined product sales and purchased products for processing and resale are net of intra-segment sales of $131.9 million and $265.3 million for the three and six months ended June 30, 2013 (2012 - $164.5 million and $313.3 million), reflecting the refined products produced by the refinery and sold by the marketing division.

(2) These are non-GAAP measures; please refer to "Non-GAAP Measures" in this MD&A.

(3) Operating expense for the three and six months ended June 30, 2012 have been increased by $0.3 million and $0.6 million, respectively, as a result of the application of accounting standard IAS 19R Employee Benefits, which has increased prior period pension expense.
Attachment 4 (Confidential for Internal Use)

Summary of “The Economic Impacts of the Come-by-Chance Oil Refinery” as prepared by the Economics and Statistics Branch, Department of Finance

Economic Impacts:

GDP

- Total GDP (direct, indirect and induced) impacts from refinery operations were roughly $101 million last year. Though capital spending can vary from year to year, typically the refinery spends around $70 million annually excluding special one-time projects. Based upon this number, ongoing capital spending at the refinery produces roughly $36 million per year in GDP impacts. The total GDP impacts (direct, indirect, induced & capital) amount to $137.1 million or approximately 0.4% of total provincial GDP in 2012.

Employment

- The refinery directly employs 452 full time and 73 part time people. This resulted in a direct employment impact of around 485 person years. Because the jobs are largely highly skilled, high paying positions, the total employment impacts from operations are 1,318 person years when indirect and induced were included. Most of these impacts were accrued in Economic Zone 15.

- Typical annual capital spending at the refinery produces an additional 450 person years of employment per year. Thus, the total employment impacts (direct, indirect, induced & capital) are 1,770 person years or roughly 0.85 of total provincial employment in 2012.

Labour Income

- The 485 person years in direct employment at the Come-by-Chance refinery resulted in direct labour income of $66.5 million in 2012 or roughly 14.6% of employment income in economic zone 15. Total labour income (direct, indirect and induced) resulting from refinery operations was $111.7 million last year.

- Typical capital spending at the refinery results in another $23.7 million per year in labour income. The total labour impacts (direct, indirect, induced & capital) amount to $135.1 million or approximately 1.0% of total provincial labour income in 2012.
Fiscal Impacts:

- The operations of the Come-by-Chance oil refinery in 2012 resulted in tax revenues of $16.1 million for the province. Of these revenues, $9.8 million were due to taxes associated with people directly employed by the refinery operations.

- Since the refinery recorded an operating loss for 2012, it did not pay any corporate income tax. Typical capital spending at the refinery is expected to generate approximately $3 million per year for the province. Overall, operations and capital spending at the Come-by-Chance refinery results in a combined fiscal impact of $19.3 million.
The Economic Impacts of the Come-by-Chance Oil Refinery

Confidential
DRAFT

Prepared By:
Economics and Statistics Branch
Department of Finance

October 2013
Economic Research and Analysis Division
Department of Finance

Telephone: 729-0864
Facsimile: 729-6944

www.economics.gov.nl.ca
Executive Summary

The Come-by-Chance Refinery has been struggling in recent years with its parent company Harvest Energy Trust reporting operating losses at the refinery every year since 2009. Economic activity associated with refinery operations and typical annual capital spending generated roughly $137 million in GDP and $135 million in labour income last year. These activities produce approximately $19 million in tax revenues for the province. Direct employment due to refinery operations in 2012 was around 485 person years. Total annual employment impacts due to the refinery’s operations (including spinoff benefits) and capital spending are roughly 1,770 person years.

Background

The Refinery in Come-by-Chance is the province’s only oil refinery. Originally constructed in 1973, it was shut down only 3 years later as it was losing over $10 million per month (approximately $52 million in today’s terms). In 1986, the refinery was acquired by Newfoundland Energy Limited with operations beginning in 1987. This company operated the refinery until 1995 when it was sold to Vitol S.A Incorporated, an international oil trading company, and North Atlantic Refining was formed to operate the plant. In October of 2006, Harvest Energy Trust, a Calgary based energy company, purchased North Atlantic Refining for $1.6 billion. Harvest Energy Trust was then subsequently purchased by the Korea National Oil Corporation (KNOC) in 2009.

<table>
<thead>
<tr>
<th>Year</th>
<th>Investment ($ millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>56.2</td>
</tr>
<tr>
<td>2009</td>
<td>43.9</td>
</tr>
<tr>
<td>2010</td>
<td>71.2</td>
</tr>
<tr>
<td>2011</td>
<td>284.2</td>
</tr>
<tr>
<td>2012</td>
<td>54.2</td>
</tr>
</tbody>
</table>

Source: Harvest Energy Trust Annual Reports

The refinery has seen a significant capital injection over the past few years. In 2011, a $102.4 million major maintenance turnaround caused the refinery to shut down production from May until mid-August. The refinery also implemented a $109.7 million debottlenecking project over the 2009 to 2011 period which was expected to increase product yield value.

Current Status

The refinery has been struggling in recent years with Harvest Energy Trust reporting operating losses at the refinery every year since 2009. It has recently emerged that KNOC is looking to sell Harvest Energy Trust and according to the Wall Street Journal, has hired Deutsche Bank to facilitate the sale. The refinery faces significant challenges due to a number of factors including a surplus of refining capacity in North America and its reliance on high cost seaborne crude for feedstock vs. the cheaper crude from the Canadian and American mid-west available to many east coast US refineries. A recent paper by ERAD outlined this energy issue in detail and highlighted the potential effects of rising shale oil production in the US on the long-term viability of North American East Coast oil refining activities including the refinery in Newfoundland and Labrador.

Economic Impacts
GDP
In 2012 direct operating related GDP at the Come-by-Chance oil refinery was roughly $37 million accounting for approximately 3.2% of manufacturing GDP in the province. The refinery generated $4.7 billion in revenue, but over 90% of this went to cover the cost of crude inputs. Almost 60% of the refinery’s exports for 2012 were shipped to the US with France and the Netherlands coming second and third. More detailed statistics on petroleum exports for 2011 can be found in Appendix B. Last year, imports of crude for feedstock came almost exclusively from the Middle East with 94.5% coming from Iraq.

The margin between refinery petroleum product exports and the cost of crude oil inputs was not enough to cover operating cost and as a result the refinery recorded an operating loss in 2012. Because of this, the direct GDP impacts due to operations were quite low as the return to capital portion of the direct GDP was negative, leaving only wages and salaries earned by refinery employees. Indirect economic impacts were generated by the roughly $195 million in non-wage operating costs at the refinery while induced benefits were generated when direct and indirect workers spent their incomes in the local economy. Total GDP (direct, indirect and induced) impacts from refinery operations were roughly $101 million last year. Though capital spending can vary from year to year, typically the refinery spends around $70 million annually excluding special one-time projects. Based upon this number, ongoing capital spending at the refinery produces roughly $36 million per year in GDP impacts. The total GDP impacts (direct, indirect, induced & capital) amount to $137.1 million or approximately 0.4% of total provincial GDP in 2012.

Employment
The refinery directly employs 452 full time and 73 part time people. This resulted in a direct employment impact of around 485 person years. Because the jobs are largely highly skilled, high paying positions, the total employment impacts from operations are 1,318 person years when indirect and induced were included. Most of these impacts were accrued in Economic Zone 15 as according to travel flows calculated using the 2006 Census indicate that around 88% of the refinery’s workforce live in nearby communities (see Appendix A). The 525 direct jobs represent roughly 3.4% of total taxfilers with employment income in economic zone 15. Typical annual capital spending at the refinery produces an additional 450 person years of employment per year. Thus, the total employment impacts (direct, indirect, induced & capital) are 1,770 person years or roughly 0.85 of total provincial employment in 2012.

Labour Income
The 485 person years in direct employment at the Come-by-Chance refinery resulted in direct labour income of $66.5 million in 2012 or roughly 14.6% of employment income in economic zone 15. Total labour income (direct, indirect and induced) resulting from refinery operations was $111.7 million last year. Typical capital spending at the refinery results in another $23.7

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1 In past years when the operating margins were positive, the GDP impacts were higher.
million per year in labour income. The total labour impacts (direct, indirect, induced & capital) amount to $135.1 million or approximately 1.0% of total provincial labour income in 2012.

Fiscal Impacts

In addition to the economic impacts, the operations of the Come-by-Chance oil refinery in 2012 resulted in tax revenues of $16.1 million for the province. Of these revenues, $9.8 million were due to taxes associated with people directly employed by the refinery operations. Since it recorded an operating loss for 2012, the refinery did not pay any corporate income tax. Typical capital spending at the refinery is expected to generate approximately $3 million per year for the province. Overall, operations and capital spending at the Come-by-Chance refinery result in a combined fiscal impact of $19.3 million.

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2 The fiscal impacts were provided by Project Analysis Division and were based upon the economic impacts calculated by Economic Research & Analysis.
THIS AGREEMENT made at the City of St. John's in the Province of Newfoundland this 15th day of June, A.D., 1984.

BETWEEN

NEWFOUNDLAND PROCESSING LIMITED, a body corporate duly incorporated under the laws of the Province of Newfoundland

(hereinafter called "NPL")

of the one part

AND

HER MAJESTY THE QUEEN IN RIGHT OF NEWFOUNDLAND, as represented by the Minister of Industry, Trade and Technology

(hereinafter called "the Province of Newfoundland")

of the other part

WHEREAS NPL is the owner in fee simple of a refinery and certain lands used in connection with the refinery located at Come By Chance, Newfoundland, as more particularly described in those Deeds of Conveyance registered at the Registry of Deeds in and for the Province of Newfoundland as follows:

1. Deed of Conveyance dated the 5th day of December, 1986 between Her Majesty the Queen in Right of Newfoundland as represented by the Honourable the Minister of Development and Tourism and Newfoundland Processing Limited and registered at the Registry of Deeds for Newfoundland on the 16th day of December, 1986 at Roll 321, Frame 679:

2. Deed of Conveyance dated the 15th day of December, 1986 between Her
Majesty the Queen in Right of Newfoundland as represented by the Honourable
the Minister of Development and Tourism and Newfoundland Processing Limited
and registered at the Registry of Deeds for Newfoundland on the 16th day of
December, 1986 at Roll 321, Frame 888;

together with all buildings and erections thereon (the "Refinery Lands");

AND WHEREAS NPL and the Province of Newfoundland have agreed to enter into this
Agreement ("the Option Agreement") in relation to the Refinery Lands:

NOW THEREFORE THIS INDENTURE WITNESSETH THAT in and for the consideration
of One Dollar ($1.00) paid by the Province of Newfoundland to NPL (the receipt of
which is hereby acknowledged by NPL) and the mutual covenants herein contained,
it is hereby agreed as follows:

1. NPL hereby grants to the Province of Newfoundland an irrevocable option (the
   "Option") to purchase the Refinery Lands as more particularly described in
   Schedule "A" annexed hereto subject to the terms and conditions herein
   contained.

2. The Option shall be exercisable by notice in writing as hereinafter set forth,
   delivered, mailed or telexied as follows:

   (a) from the Province of Newfoundland to NPL at its corporate offices in St.
       John's, Newfoundland, or such other office as may be its registered
office from time to time (Telecopy No.: );

(b) from NPL to the Province of Newfoundland to the Minister of Industry, Trade and Technology, Confederation Building, St. John's, Newfoundland, or such other address of which NPL may be notified in writing from time to time (Telecopy No.: );

3. The Option shall be exercisable only upon NPL providing a written notice (the "Trigger Notice") to the Province of Newfoundland of its intention to permanently discontinue the business of refining or processing at the Refinery Lands and one of the following:

   (1) a notice of its intention to dismantle the refinery assets located on and affixed to the Refinery Lands (the "Refinery Assets"); or

   (2) a notice of its intention to sell for scrap the Refinery Assets;

The Trigger Notice shall include NPL's estimate of the scrap value of the Refinery Lands and Assets, which estimated value shall be the purchase price for the Refinery Lands unless disputed by the Province of Newfoundland pursuant to the terms of this Option Agreement:

4. The Province of Newfoundland shall provide to NPL one of the following written notices within seven (7) days of provision of the Trigger Notice by NPL to the Province of Newfoundland:
(a) Notice of Release - the Province of Newfoundland may waive its right to exercise its option and release any claim to the Refinery Lands and Assets.

(b) Notice of Dispute - the Province of Newfoundland may provide notice of its intention to exercise its option but dispute the estimated value of the Refinery Lands and Assets as provided by NPL under the Trigger Notice, or

(c) Notice of Purchase - the Province of Newfoundland may give notice of its intention to purchase the Refinery Lands and Assets at the estimated scrap value as provided by NPL under the Trigger Notice.

Failure to provide a notice under this clause shall have the same effect as if the Province of Newfoundland had provided a Notice of Purchase under subparagraph (c).

5. If the Province of Newfoundland should provide to NPL a Notice of Release pursuant to Clause 5(a) of this Option Agreement, the Province of Newfoundland shall execute and deliver immediately to NPL a full release of this Option Agreement in form suitable for registration at any place where this Option Agreement may be registered.

6. If a Notice of Dispute is provided by the Province of Newfoundland to NPL pursuant to Clause 5(b) of this Agreement, the parties agree to mutually
appoint an arbitrator (the "Arbitrator") to determine the scrap value of the Refinery Lands and Assets. The Arbitrator may take into account and the parties may present into evidence before the Arbitrator any information which the Arbitrator may within his sole discretion deem appropriate excepting the estimated scrap value of the Refinery Lands and Assets as provided by NPL under the Trigger Notice. The Arbitrator shall make his determination of the scrap value of the Refinery Lands and Assets within thirty (30) days of the provisions of the Notice of Dispute. If the parties cannot mutually agree on the appointment of an Arbitrator, the procedure established under the Arbitration Act, R.S.N. 1980, c. A-14 shall apply.

7. When a decision has been rendered by the Arbitrator under Clause 6 or if a Notice of Purchase has been provided by the Province of Newfoundland to NPL under Clause 5(c), there shall automatically come into being, without any further documentation or action, a valid, legal and binding agreement of purchase and sale of the Refinery Lands and the parties agree that the following shall be the terms and conditions of purchase and sale of the Refinery Lands:

(a) The closing date (the "Closing Date") shall be seven (7) days from the provision of the Notice of Purchase under Clause 4 or the date of the decision of the Arbitrator under Clause 6, whichever may apply.

(b) The purchase price shall be the estimated scrap value as provided in the Trigger Notice or the value as determined by the Arbitrator, if a
Notice of Dispute has been given.

(c) The purchase price shall be paid in full on the Closing Date, without adjustment of any nature or kind.

(d) NPL shall provide no warranty as to title and the Province of Newfoundland shall obtain the Refinery Lands and Assets subject to all liens, mortgages and charges existing on the date of provision of the Trigger Notice.

(e) the Refinery Lands and Assets and any use made thereof shall be at the entire risk of the Province of Newfoundland from and after the Closing Date and the Province of Newfoundland shall assume any and all responsibilities and liabilities in any way arising out of or in connection with the state, quality or condition in or on the Refinery Lands and Assets existing as of the Closing Date and thereafter, whether environmental or otherwise, and whether such liabilities or responsibilities are imposed by law, regulation or by regulatory authorities.

(f) NPL shall provide to the Province of Newfoundland on the Closing Date a Deed of Transfer in form as attached hereto as Schedule "R".

(g) The Province of Newfoundland shall be permitted to inspect the property from the date of the Trigger Notice to the Closing Date.
(1) Vacant possession shall be given to the Province of Newfoundland on the Closing Date.

(2) The Province of Newfoundland is not to call for the production of any title deed, survey or other evidence of title, except as may be in the possession of NPL or under NPL's control.

(3) NPL shall maintain insurance on the Refinery Lands and Assets until the Closing Date. The proceeds of any insurance payable to NPL shall be held in trust for the parties as their interests may appear.

5. The parties agree that there are no further representations, warranties, collateral agreements or conditions relating to the Refinery Lands or Assets except as contained herein.

8. Time shall be of the essence of this Option Agreement.

IN WITNESS WHEREOF the parties have hereunto their hands and seals subscribed and set this day of June, 1994.

THE CORPORATE SEAL of Newfoundland Processing Limited was hereunto affixed in the presence of:

NEWFOUNDLAND PROCESSING LIMITED

S. 30(1)
SIGNED, SEALED AND DELIVERED
by the Honourable the Minister
of Industry, Trade and
Technology on behalf of Her
Majesty the Queen in Right of
Newfoundland in the presence of:

[Signature]

[Signature]

Rex Libbors (Acting)
MINISTER OF INDUSTRY, TRADE
AND TECHNOLOGY
SCHEDULE A

to

AGREEMENT BETWEEN

NEWFOUNDLAND PROCESSING LIMITED

AND

HER MAJESTY THE QUEEN IN
RIGHT OF NEWFOUNDLAND
SCHEDULE "A"

ALL THAT piece or parcel of land situate and being on the south side of an access road leading from the Trans Canada Highway near Come E. Chence, in the Electoral District of Bellevue, in the Province of Newfoundland, Canada, and being bounded and abutted as follows:

THAT IS TO SAY, beginning at a point in the shoreline reservation of Placentia Bay, said point having co-ordinates N 17,375,467.1 feet and E 755,054.07 feet of the Modified three-degree Transverse Mercator Projection for the Province of Newfoundland, Canada, THENCE by land of Public Works Canada north one degree twenty-four minutes zero seconds east one thousand five hundred and forty-one decimal three zero (1,541.30) feet, south eighty-eight degrees thirty-six minutes zero seconds east one hundred and forty decimal zero (140.00) feet, north one degree twenty-four minutes zero seconds east one hundred and forty decimal zero (140.00) feet, THENCE by Crown Land south eighty-nine degrees seventeen minutes fifty-one seconds east six hundred and fifteen decimal zero (615.00) feet to a point in the southern limit of an access road 110 feet wide having co-ordinates N 17,377,436.90 feet and E 753,656.68 feet. THENCE along the southern limit of the access road along the arc of a curve of radius nine hundred and five decimal three six (900.36) feet a distance of seven hundred and forty decimal zero (740.00) feet, south seven degrees twenty-six minutes east 140.00 feet, THENCE along the arc of a curve of radius one thousand one hundred and ninety-six decimal two seven (1,196.27) feet a distance of one thousand four hundred and seven decimal six five (1,410.65) feet, south seventy-five degrees sixteen minutes east one thousand six hundred and ninety-eight decimal seven (1,698.7) feet, THENCE along the arc of a curve of radius one thousand eight hundred and sixty decimal zero seven (1,860.07) feet a distance of one hundred and thirty decimal zero (130.00) feet to a point in the southern limit of the access road having co-ordinates N 17,374,682.20 feet and E 756,921.20 feet, THENCE south zero degrees forty-five minutes zero seconds west three thousand two hundred and ninety-seven decimal five zero (3,297.50) feet. THENCE north eighty-nine degrees fifteen minutes zero seconds west three thousand one hundred and seventy-five decimal zero (3,175.00) feet to a point in the shoreline reservation of Placentia Bay having co-ordinates N 17,372,626.40 feet and E 753,707.68 feet. THENCE along the shoreline reservation of Placentia Bay in a general northerly and northwesterly direction a distance of four thousand one hundred and forty-nine (4,149) feet more or less to the point of beginning, the said piece or parcel of land being delineated in the plan annexed hereto and thereon outlined in red and containing an area of three hundred and fourteen decimal six seven zero (334.67) acres. All bearings being referred to the above Projection.
SCHEDULE "B"

Parcel "A"

All that parcel of land situated near Come-By-Chance in the Electoral District of Placentia East and being more particularly described as follows:

BEGINNING at a Point, said Point being on the Easterly limit of a thirty-three-foot-side reservation extending along the Easterly shoreline of Placentia Bay, said Point being the Northeast angle of land granted by the Crown to Provincial Building Company Limited and registered in Special Volume 2, Folio 171 in the Registry of Crown Grants and being S 66°-30' W, 10,185.63 feet from Crow’s Landa Monument No. 72050;

THENCE following the Easterly limit of the said reservation in a generally Northeasterly direction, 920 feet more or less to a point;

THENCE following the southerly limit of a 100-foot-wide access road leading to the Trans Canada Highway in a generally Easterly direction along the arc of a 433.6-foot-radius curve to the left and S 68°-05' E, 475.1 feet to a point;

THENCE by Crown Land S 01°-24' W, 222.6 feet more or less to a point;

THENCE by the aforesaid land granted by the Crown to Provincial Building Company Limited, N 86°-10' W, 932.8 feet more or less to the Point of Beginning;

Containing an area of 4.84 acres more or less.

All bearings refer to Newfoundland Grid North.

Parcel "B"

All that parcel of land situated near Come-By-Chance in the Electoral District of Placentia East and being more particularly described as follows:

BEGINNING at a Point, said Point being on the Easterly limit of a thirty-three-foot-side reservation extending along the Easterly shoreline of Placentia Bay and being the Southwestern angle of Parcel "A";

THENCE following the boundary of Parcel "A", S 66°-16' E, 922.6 feet more or less to a point;

THENCE by land granted by the Crown to Provincial Building Company Limited and registered in Special Volume 2, Folio 171 in the Registry of Crown Grants, S 01°-24' W, 420 feet, N 86°-38' W, 140 feet, and S 01°-24' W, 1,341.3 feet more or less.
PARCEL "C"

Patriot:

ALL that parcel of land and land covered by water, situated near Come-By-Chance in the Electoral District of Placentia East and being more particularly described as follows:

BEGINNING at a Point, said Point being on the Easterly limit of a thirty-three foot-wide reservation extending along the Easterly shoreline of Placentia Bay and being S 16°-31' E, 1,600 feet from the Southwest angle of Parcel "A".

THENCE following the limit of the said reservation and to the waters of Placentia Bay:

S 76°-01' W, 2,940 feet,
S 15°-51' W, 1,674 feet,
N 74°-53' W, 600 feet,
N 16°-51' E, 2,045 feet,
N 79°-01' E, 2,422 feet, and
N 00°-46' W, 926 feet;

THENCE by the waters of Placentia Bay and the aforesaid reservation, N 86°-10' E, 600 feet more or less;

THENCE by the Easterly limit of the reservation in a generally Southerly direction, 1,700 feet more or less to the Point of Beginning.

Containing an area of 86.1 acres more or less.

All bearings refer to Newfoundland Grid North.
SCHEDULE B

to

AGREEMENT
BETWEEN

NEWFOUNDLAND PROCESSING LIMITED

AND

HER MAJESTY THE QUEEN IN
RIGHT OF NEWFOUNDLAND
THIS INDENTURE made at __________, in the Province of Newfoundland, Canada, this ____ day of A.D. One Thousand Nine Hundred and Ninety-________.

BETWEEN: NEWFOUNDLAND PROCESSING LIMITED, a body corporate duly incorporated to carry on business in the Province of Newfoundland;

(hereinafter called the "Vendor")

of the one part

AND: HER MAJESTY THE QUEEN IN RIGHT OF THE PROVINCE OF NEWFOUNDLAND,

(hereinafter called the "Purchaser")

of the other part

WITNESSETH that for and in consideration of the sum of __________ Dollars ($_________)
paid by the Purchaser to the Vendor on or before the execution of these presents (the receipt whereof on the part of the Vendor is hereby acknowledged) the Vendor as beneficial owner hereby sells, assigns and conveys unto the Purchaser ALL THAT piece or parcel of land being more particularly described in Schedule "A" annexed hereto (which said Schedule "A" forms part and parcel of these presents) TOGETHER WITH all buildings and erections thereon TO HOLD the same unto the Purchaser absolutely and forever.
IN WITNESS WHEREOF the corporate seal of the Vendor was hereunto affixed the day and year first before written.

THE CORPORATE SEAL of the Vendor was hereunto affixed in the presence of:

NEWFOUNDLAND PROCESSING LIMITED

Per: ________________________________

A BARRISTER, COMMISSIONER OF OATHS or NOTARY PUBLIC

NPL\GOVERNME.DOC
Information Note

Department of Natural Resources

Title: Harvest Energy and the Come By Chance North Atlantic Refinery

Issue: To provide background information and current status on the Come By Chance Refinery.

Background and Current Status:

- On September 4, 2013 officials from Harvest Energy (Harvest), North Atlantic Refining Limited (NARL) and Global Public Affairs (GPA) met with Department of Natural Resources (DNR) staff. Harvest indicated that given the poor financial performance of the refinery and other retail and marketing operations in the province, it planned on changing its investment focus to only upstream activities in Western Canada.

- From 2010 to 2013 the refinery had lost approximately [redacted] million before overhead costs. Factors contributing to losses include:
  - Historically low refining margins for Atlantic Basin refineries.
  - An expensive legacy crude supply based on Iraqi crude.
  - A strongly disadvantaged utility fuel cost relative to other North American refineries (no access to natural gas).
  - A remote location away from global crude trading lanes with limited local demand.
  - Poor reliability with high maintenance, capital expenditure and operating costs.

- Harvest has retained Deutsche Bank to facilitate the divestiture of the downstream assets and have met with Government officials on a number of occasions to provide progress updates.

- Harvest advised that they are progressing discussions with potential bidders for the refinery and that Confidentiality Agreements have been signed with various interests. Of these, six detailed proposals were submitted: 4 interested in marketing assets only and 2 interested in the refinery.

- Harvest has commenced formal negotiations with the bidders with a view to finalizing a potential transaction by end of March. Government officials have met with three of the bidders: Klesch Group, [redacted] and SilverRange Financial Partners (SR). At this time government is not aware of others.

- Of these three it is understood that SR remains the most probable for a successful transaction although negotiations are on hold primarily due to environmental liability issues. More recently, it is also understood that negotiations with Klesch have terminated and that [redacted] (S. 27(1)(b))

- To assist with negotiations and increase the likelihood of a successful transaction SR is seeking potential support from government in the form of:
  - Addressing pre-existing environmental liabilities of NARL (S. 27(1)(b))
  - Assistance with Federal and Local authorities (S. 27(1)(b), S. 27(1)(c)(i))

- Government officials are currently undertaking a review of SR’s request.

- Discussions with government are considered confidential at this time given commercial sensitivities which could affect the potential divestiture.

Prepared / Approved by: Wayne Andrews / Paul Carter

Ministerial Approval:

March 12, 2014

Note: pages 38-59 have been redacted in full under section 18(2)(a).
Title: Harvest Operations Corp (“Harvest”) Divestiture of North Atlantic Refinery Ltd (NARL)

Issue: To provide an update on Harvest’s plan to sell NARL including the Refinery at Come By Chance and its NL marketing/retail assets.

Background and Current Status:

- On September 4, 2013, NR representatives met with officials from Harvest, owned by the Korean National Oil Company (“KNOC”) since December 2009, and Harvest’s wholly owned subsidiary NARL. Harvest indicated that it planned to focus on its upstream oil and gas assets in Western Canada and divest of NARL due to poor financial performance in recent years. NARL’s assets include the Refinery at Come By Chance as well as petroleum marketing/retail operations in NL.  

- Harvest advised that the Refinery had lost approximately $1 million from 2010 to 2013. Factors that contributed to the losses included:
  - Historically low refining margins for Atlantic Basin refineries;
  - An expensive legacy crude supply based on Iraqi crude;
  - A strongly disadvantaged fuel oil cost relative to other North American refineries that utilize natural gas (NL does not have access to natural gas);
  - A remote location away from global crude trading lanes with limited local demand; and,
  - Poor refinery reliability with high maintenance, capital expenditure and operating costs.

- On October 23, 2013, Harvest and NARL met with the Ministers of Natural Resources and Finance to advise that they were progressing discussions with potential bidders and to ask if the Province was interested in: 1) becoming involved and potentially acquiring a position in the Refinery and/or, 2) assisting with the current economic challenges facing the Refinery. The Province’s preference was for interested parties from the private sector to be engaged, and for the sale to include a continuation of operations at the Refinery as well as the marketing and retail business segments.

- Harvest retained Deutsche Bank to facilitate the divestiture of NARL and had undertaken discussions with six bidders that had submitted detailed proposals. Four of the proposals, including Klesch, were only interested in marketing/retail assets while two were also interested in the Refinery.  

- Government officials have met with three of the bidders including Klesch Group, and SilverRange Financial Partners (SilverRange). NR understands that negotiations with Klesch have terminated and that SilverRange is the New York based commodities and insurance arm of Silverpeak Real Estate Partners, a privately held real estate investment advisory business that manages a $12 billion real estate portfolio and was formed in May 2010.

- The SilverRange proposal includes the purchase of the Refinery and marketing/retail assets in NL. The business plan is to continue refining operations and address operational/reliability issues through capital investments, a switch to light sweet crude oil, a supply-offtake agreement with BP and conversion of the Refinery to


S. 27(1)(b), S. 27(1)(c)(i), S. 27(1)(c)(ii)
burn gaseous fuels (butane and propane) instead of more expensive and higher polluting/emission fuel oil. They also plan to continue to operate NARL’s marketing/retail operations and supply to the local NL petroleum product market.

- In April 2014, SilverRange indicated to NR that a newly established special purpose vehicle (SPV), NARL Acquisitions LLC (NACQ), would acquire NARL under its proposal. Under the SPV arrangement and if acquisition is successful, NARL will be NACQ’s only project interest, assets and operations. SilverRange officials have indicated that it will have an equity position in NACQ (along with other investors) and its officials will manage the acquisition as well as oversee NARL operations with the support of the Refinery management team.

- To assist with negotiations and increase the likelihood of a successful transaction SilverRange requested support from the provincial government in the form of:
  - Addressing pre-existing environmental liabilities of NARL through an indemnity agreement with the provincial government. KNOC and Harvest have refused to provide an indemnity for these liabilities. The provincial government had provided previous environmental indemnities to former Refinery owners including Newfoundland Energy Limited/Newfoundland Processing Ltd in 1986 and Vitol in 1994.
  - Support and assistance to NACQ/NARL with federal and local authorities in the acquisition

- The Government of NL agreed to enter into discussions with SilverRange/NACQ regarding the possible provision of a new provincial government 10 year indemnification agreement for pre-existing refinery environmental liabilities should acquisition be successful, however,

Action Being Taken:
- Since March 2014, officials with NR, ENVCC and JUS have been progressing discussions on the Refinery environmental indemnity

Prepared / Approved by: Paul Parsons / Ministerial Approval: May 25, 2014

Note: pages 3-26 have been redacted in full under section 18(2)(c).
Information Note
Department of Natural Resources

Title: Harvest Operations Corp (Harvest) Divestiture of North Atlantic Refinery Ltd (NARL)

Issue: To provide an update on Harvest’s plan to sell NARL including the Refinery at Come By Chance and its NL marketing/retail assets.

Background and Current Status:

- On September 4, 2013, NR representatives met with officials from Harvest, owned by the Korean National Oil Company (KNOC) since December 2009, and Harvest’s wholly owned subsidiary NARL. Harvest indicated that it planned to focus on its upstream oil and gas assets in Western Canada and divest of NARL due to poor financial performance in recent years. NARL's assets include the Refinery at Come By Chance as well as petroleum marketing/retail operations in NL. Harvest advised that the Refinery had lost approximately [redacted] from 2010 to 2013. S. 27(1)(b), S. 27(1)(c)(i)

- On October 23, 2013, Harvest and NARL met with the Ministers of Natural Resources and Finance to advise that they were progressing discussions with potential bidders and to ask if the Province was interested in: 1) becoming involved and potentially acquiring a position in the Refinery and/or, 2) assisting with the current economic challenges facing the Refinery. The Province’s preference was for interested parties from the private sector to be engaged, and for the sale to include a continuation of operations at the Refinery as well as the marketing and retail business segments.

- Harvest retained Deutsche Bank to facilitate the divestiture of NARL and had undertaken discussions with six bidders that had submitted detailed proposals. Four of the proposals, including [redacted] were only interested in marketing/retail assets while two were also interested in the Refinery. S. 27(1)(b)

- Government officials have met with three of the bidders including Klesch Group, [redacted] and SilverRange Financial Partners (SilverRange). NR understands that negotiations with Klesch and [redacted] have now terminated. NR is not aware of the other bidders. NR understands that SilverRange negotiations are continuing with Harvest. SilverRange is the New York based commodities and insurance arm of Silverpeak Real Estate Partners, a privately held real estate investment advisory business that manages a $12 billion real estate portfolio and was formed in May 2010.

- The SilverRange proposal includes the purchase of the Refinery and marketing/retail assets in NL. The business plan is to continue refining operations and address operational/reliability issues through capital investments, a switch to light sweet crude oil, a supply-offtake agreement with BP and conversion of the Refinery to burn gaseous fuels (butane and propane) instead of more expensive and higher polluting/emission fuel oil. They also plan to continue to operate NARL’s marketing/retail operations and supply to the local NL petroleum product market.

- In April 2014, SilverRange indicated to NR that a newly established special purpose vehicle (SPV), NARL Acquisitions LLC (NACQ), would acquire NARL under its proposal. Under the SPV arrangement and if acquisition is successful, NARL will be NACQ’s only project interest, assets and operations. SilverRange officials have indicated that it will have an equity
position in NACQ (along with other investors) and its officials will manage the acquisition as well as oversee NARL operations with the support of the Refinery management team.

- To assist with negotiations and increase the likelihood of a successful transaction SilverRange requested support from the provincial government in the form of:
  - Addressing pre-existing environmental liabilities of NARL through an indemnity agreement with the provincial government. KNOC and Harvest have refused to provide an indemnity for these liabilities. The provincial government had provided previous environmental indemnities to former Refinery owners including Newfoundland Energy Limited/Newfoundland Processing Ltd in 1986 and Vitol in 1994.
  - Support and assistance to NACQ/NARL with federal and local authorities in the acquisition.
- The Government of NL agreed to enter into discussions with SilverRange/NACQ regarding the possible provision of a new provincial government 10 year indemnification agreement for pre-existing refinery environmental liabilities should acquisition be successful, however, the Government of NL would also provide support and assistance to NARL with federal and local authorities. These discussions as well as details of the proposals and bidders are considered confidential at this time given commercial sensitivities which could affect the potential divestiture of NARL.

**Action Being Taken:**

- Since March 2014, officials with NR, ENVC and JUS have been progressing discussions on the Refinery environmental indemnity (the Agreement): S. 18(2)(c), S. 18(1)(a)(ix), S. 18((1)(d)
- More recently, SilverRange has advised that the KNOC Board of Directors has approved the purchase and sale agreement, however, market conditions at this time are not ideal for SilverRange to execute. SilverRange continues to wait for market conditions to improve.

Prepared / Approved by:  Paul Parsons, Wayne Andrews / Paul Carter
Ministerial Approval:  
**August 27, 2014**
Potential Sale of North Atlantic Refinery Limited and Environment Indemnity

AUGUST 2014
Presentation Outline

- NARL Operations
- NARL Economic & Fiscal Impacts
- Refinery History
- NARL Status and Divestiture
- NACQ/SilverRange Business Plan and Discussions
- Government Review
- Environmental Indemnity
- Considerations
- Cabinet Review
- Status and Next Steps
NARL Operations – Refinery

- Located at Come By Chance
- Capacity of 115,000 barrels per day (bpd)
- $1.7 billion replacement value
- Crude oil/product storage capacity - 7 million barrels with 45 active tanks
- Wharf and jetty capable of handling VLCC’s ( >2 million barrel cargos)
- Configured to process medium sour/high sulphur crude
- Refined products - propane, butane, gasoline, kerosene, jet fuel, diesel, light fuel oil, heavy fuel oil and bunkers
- Approximately 90% of products are exported - 10% sold in NL
- Approximately 452 full time employees in 2012

Newfoundland Labrador
NARL Operations – Marketing/Retail

- Headquartered in St. John’s with approximately 50 employees
- Retail marketing:
  - 53 outlets operated as company owned or independent dealers
  - 3 cardlock locations: St. John’s, Goobies and Deer Lake
- Commercial, Wholesale and Bunkers:
  - Distribution of fuels for heating, marine, aviation, trucking and construction
  - Wholesale marketing of distillate, jet fuel and propane
- Home heating oil sales and service with approximately 20,000 customers
- 7 bulk plants to support distribution throughout Province
NARL Operations – Marine

- Manages vessel traffic to the Refinery
- Works with regulatory authorities on measures to prevent/mitigate the risk of oil spills and other marine related matters
- NARL owns 2 tugboats and has reciprocal arrangements with Newfoundland Transshipment Ltd for additional tug capacity
- NARL facilitates the movements of about 220 vessels each year
# NARL Economic & Fiscal Impacts

## Economic - 2012
- Average daily throughput (bpd) 103,355
- Export Value (million $) $4,752
- GDP (million $) $137 ($37mm direct at Refinery)
- Employment (person years) 1,767 (452 FT direct at Refinery)
- Labour Income (million $) $135 ($67mm direct at Refinery)

## Fiscal – 2012
- Personal Income Tax (million $) $9.1
- Sales and Other Consumption Taxes (million $) $8.4
- Payroll Taxes (million $) $1.8
- Total NL Tax Revenue (million $) $19.3

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1. GDP, employment, labour income and tax revenue estimates based on all sources including direct, indirect, induced and capital. In past years when refinery operating margins were more positive, certain economic and fiscal impacts may be higher.

Source: Economic Research & Analysis Division, Department of Finance
Refinery History

- **Newfoundland Refining Company Ltd**
  - Construction began in 1971
  - Started refining operations in May 1973; majority of units started in 1974
  - Filed for bankruptcy in 1976 and refinery was mothballed

- **Petro-Canada**
  - Purchased in 1980 but did not operate

- **Newfoundland Energy Limited**
  - Purchased in October 1986
  - Operated by subsidiary Newfoundland Processing Limited (NPL)
  - Province provided indemnity for pre-existing environmental conditions at the site
  - Continued to operate until 1994 when a crude unit fire forced a shutdown
Refinery History

- Vitol SA
  - Purchased in 1994 for $1 and renamed North Atlantic Refining Ltd (NARL)
  - The 1986 indemnity was reaffirmed by the Province and extended for 10 years to 2004
  - Continued to operate refinery competitively for 12 years

- Harvest
  - Purchased NARL in 2006 for $1.6 billion.
  - Continued operations

- Korean National Oil Company (KNOC)
  - Purchased Harvest (including NARL) in 2009 for $4.1 billion in equity and assumed debt - continued NARL operations
NARL Status

- In September 2013, Harvest advised that KNOC plans to divest of NARL - will focus on its upstream assets in Western Canada.
- In October 2013, Government indicated to Harvest its preference for:
  - interested private sector parties be engaged for the sale; and
  - any new owner continue Refinery operations and marketing/retail business
NARL Divestiture

- Harvest has retained Deutsche Bank to facilitate the divestiture
- NARL advised that:
  - Retail/Marketing assets plus inventory represent a positive sales value
  - Refinery represents a negative sales value
  - Combined package of NARL assets represents a negative sales value
- 33 companies viewed the pro forma information
- 6 submitted detailed proposals including:
  - 4 interested in marketing assets only
  - 2 interested in the Refinery as well
- Government met with 3 of the interested companies:
  - Klesch and SilverRange/NACQ

S. 27(1)(b)
NACQ/SilverRange Business Plan

- Plan to address operational and financial issues at the Refinery and improve profitability includes:
  - Switch to light sweet crude oil as a feedstock
  - Supply Offtake Agreement with BP
  - Utilize butane and propane as a cleaner/cheaper plant fuel alternative to fuel oil.
NACQ/ Harvest/ BP Discussions

- SilverRange/ NACQ have had discussions with Harvest and BP
  - S. 27(1)(b)

- Discussions were stalled in early 2014 due to Harvest/ KNOC’s unwillingness to provide any indemnification to NACQ for NARL’s pre-existing environmental liabilities.

- To progress discussions it was requested in February 2014 that Government:
  - Provide an environmental indemnity for NARL’s pre-existing liabilities
  - S. 27(1)(b)
Government Review

• In March 2014, GNL considered the NACQ/SilverRange proposal - GNL direction included:
  - Negotiate an environmental indemnity agreement for Cabinet consideration
  - New owner agrees to use best efforts to maintain employment levels at NARL

• Government and NACQ/SilverRange officials have negotiated terms of an environmental indemnity agreement
Indemnity Structure

- The environmental indemnity would be executed in two parts:

  - **The Memorandum of Agreement:** Between NACQ and NR and executed at same time as other commercial agreements

  - **The Environmental Agreement:** Between NACQ, NARL and NR and executed at the NARL sale closing date
Indemnity Key Provisions

- NR indemnifies NACQ and NARL for pre-existing environmental liabilities at the Refinery.
- Covers soil, sediment, groundwater and surface water contamination and remediation.
- NR indemnity does not include:
  - liabilities relating to Refinery assets and operations
  - actions, omissions or negligence by NACQ or NARL
  - business losses resulting from contamination or remediation
- NACQ and NARL indemnifies the Province against liability and responsibility for contamination and remediation caused by their Refinery ownership, operation, maintenance and remediation.
Environmental Site Assessment (ESA)

- An Environmental Site Assessment (ESA) will define the scope of NR indemnity
- A Site Professional, to be approved by NR, to complete ESA within 12 months
- The ESA scope and final ESA report must be approved by NR
- Final ESA will include:
  - Sampling and analysis to delineate extent of impacts
  - A remediation plan with cost estimates
  - Description of any Immediate Remediation Plan (IRP) work which will be required if directed by ENVC
Tank Farm & SO₂ Emissions

- Tank Farm Storage Facilities:
  - Provides guidance to NARL on a future application to amend the Tank Schedule of its Compliance Agreement
  - Include a plan for inspection, repair, alteration, reconstruction and improve overall safety

- Sulphur Dioxide Emissions (SO₂):
  - Reduce SO₂ emission maximum by 33% from 17,000 to 11,390 tonnes for next 2 years
  - Subsequent Compliance Agreement will include SO₂ emission targets
Considerations

• Indemnity will:
  - Facilitate the acquisition of NARL by NACQ
  - Support continued Refinery operations
  - Protect employment (~450 direct full time jobs)
  - Support SO$_2$ emission reductions at the Refinery

• NR/Government will be legally responsible for the costs of pre-existing environmental liabilities for next 10 years
Status and Next Steps

- SilverRange officials recently informed NR that the KNOC Board of Directors approved the purchase and sale agreement for NARL.
- However, current market conditions are not ideal to execute the purchase and sale agreement primarily as recent crude price discounts have narrowed.
- The parties are waiting for improved market conditions to support the timing of the NARL purchase and implementation of NACQ’s business plan.
- As a result, the environmental indemnity has not yet been executed.
  - Memorandum of Agreement to be executed with the purchase and sale agreement and other commercial agreements.
  - Environmental Agreement to be executed at the closing date for NACQ’s acquisition of NARL.
- Subsequent to execution of agreements, the Site Professional will be chosen to undertake ESA work with the work to begin following closing date.
Decision Note
Department of Natural Resources

Title: Environmental Agreement with NARL Acquisitions LLC ("NACQ") and North Atlantic Refining Ltd ("NARL") for Existing Contamination at the NARL Refinery

Decision/Direction Required:
Whether to approve changes to the Memorandum of Agreement ("MOA") and Environmental Agreement ("EA") attached as Annex 1, relating to the NARL Refinery, approved under S.18(1)(a), S.18(1)(c), S.18(2)(a).

Approval will allow the Minister of Natural Resources to move forward with execution of the MOA and EA on behalf of NL.

Background and Current Status:

Procedural Context

- In late June, the MOA and EA were in substantially satisfactory form and agreed by the parties, but negotiations were still ongoing between Harvest Energy and NARL Acquisitions LLC, as represented by SilverRange, for the purchase and sale of NARL. Until all commercial agreements were complete, finalization and execution of the MOA and EA could not be concluded as Government wanted to ensure resolution of the commercial agreements.
- NR was informed in August 2014 by SilverRange/NACQ that the purchase and sale agreement had been finalized and approved by the parties. However, SilverRange/NACQ were delayed in moving forward as market conditions did not support immediate implementation of the business plan.
- At the end of August 2014, SilverRange/NACQ informed NR that the acquisition was ready to move forward and an announcement is anticipated for September 5, 2014.
- The result has delayed the schedule contemplated for the purchase agreement and other commercial agreements from July 2014 to late August 2014. As well, the closing date for the acquisition is now contemplated to occur by November 30, 2014 (although may occur earlier) instead of September 30, 2014. These schedule adjustments have had an impact on the timing of provisions in the MOA and EA. This is discussed further below and in Annex 3.
- NARL Acquisitions LLC and Harvest have provided NR with a letter confirming the execution of the agreement of purchase and sale, for the acquisition of NARL, including the Refinery at Come by Chance. See Annex 2.

Content of Agreements

- The substantive terms of the MOA and EA have not changed significantly however due to ongoing discussions several small amendments have been made.
- The primary variance involves timing provisions in the MOA and EA particularly as relates to the later acquisition closing date, now expected by November 30, 2014 instead of September 30, 2014, and the resulting impact on the Environmental Site Assessment (ESA) schedule. The
ESA is still to be completed within 12 months but the start will be delayed as a result of the later closing date.

- The delay in the ESA is not viewed as material as preliminary work can be undertaken and completed during the winter period when site access is restricted due to weather so that site testing and sampling can be undertaken in Spring/Summer 2015.
- SilverRange/NACQ has indicated acceptance of the negotiated MOA and EA.
- See Annex 3 for an overview and explanation of the amendments to the MOA and EA.

**Next Steps**

- The parties having reached agreement on the terms of the MOA and EA, the next step is execution.
- SilverRange/NACQ will be seeking to execute the MOA following execution of the purchase of sale agreement, but prior to the announcement of the transaction.
- As described in the MOA, NR has agreed to sign and execute both the MOA and the EA following the execution of the purchase and sale agreement. NARL Acquisitions LLC will sign and execute the MOA at the same time as NR. On the day that the purchase and sale transaction closes, which is anticipated on or before November 30, 2014, and NARL Acquisitions LLC has acquired NARL, NARL Acquisitions LLC and NARL will sign and execute the EA (as agreed in the MOA).

**Alternatives:**

1. Approve the revised MOA and EA:

2. Do not approve the revised MOA and EA:

**Recommendation:**

- S. 18(1)(a)(ix), S. 18(1)(c), S. 18(2)(a), S. 20(1)(a)
Annexes:
1. MOA and EA for Execution
2. Letters from NARL Acquisitions LLC and Harvest Operations confirming the Agreement of Purchase and Sale for the Acquisition of NARL
3. List of amendments between the Memorandum of Agreement and Environmental Agreement attached to S.18(1)(a)(ix), S.18(1)(c), S.18(2)(a) and the subsequent versions for execution by the Parties

Prepared by/Approved by: Paul Parsons (NR) & Meaghan McConnell (JUS) /

Ministerial Approval:

Date: August 29, 2014
Annex 2 – Letters from Harvest Operations and NARL Acquisitions LLC confirming the Agreement of Purchase and Sale for the Acquisition of NARL

Harvest
OPERATIONS CORP.

September 3, 2014

Government of Newfoundland and Labrador
Department of Natural Resources
P.O. Box 8700
Confederation Building
St. John's, NL A1B 4J7

Attention: Minister of Natural Resources

RE: EXECUTION OF NARL PURCHASE AND SALE AGREEMENT

This letter confirms that duly authorized representatives of Harvest Operations Corp. and NARL Acquisitions LLC have executed and delivered that certain Purchase and Sale Agreement dated as of August 1, 2014 (the "PSA") providing, among other matters, for the purchase of all of the outstanding shares of North Atlantic Refining Limited, a limited liability company duly organized and existing under the Corporations Act, R.N.S.L. 1990, c. C-36 and the laws of the Province of Newfoundland and Labrador (the "Company"), including the Company's petroleum refinery located at Come By Chance, Newfoundland and Labrador. Pursuant to the PSA, the closing date of the transactions contemplated by the PSA will occur on a date not earlier than September 30, 2014 or later than November 30, 2014 unless otherwise agreed to by the parties. The parties currently expect the closing to occur on or about October 31, 2014.

Sincerely,

HARVEST OPERATIONS CORP.

By: [Signature]

Name: John WEARING

Title: CHIEF OPERATING OFFICER
NARL ACQUISITIONS LLC
1330 Avenue of the Americas, Suite 1200, New York, NY 10019

September 3, 2014

Government of Newfoundland and Labrador
Department of Natural Resources
P.O. Box 8700
Confederation Building
St. John's, NL A1B 4J7

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Sincerely,

NARL ACQUISITIONS LLC

By: ____________________________

Name: MARK RAMSAY

Title: PARTNER, SILVER RANGE

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Annex 3 – List of amendments between the Memorandum of Agreement and Environmental Agreement attached to NR2014-014 and the subsequent versions for execution by the Parties

Memorandum of Agreement (MOA)

Section 2 (new part 2): term added, to specify that MOA expires with EA.

Section 2.3: the date before which NARL Acquisitions must acquire NARL has been pushed back from September to November, to reflect revised transaction timelines.

Section 5.2 (was 4.2): “except as otherwise specified in Section 10 of the Environmental Agreement” added, for greater clarity.

Section 6.1: title of NACQ contact added

Environmental Agreement (EA)

Recitals:
(2) SilverRange described as a “limited liability company” instead of a “body corporate”, for greater accuracy.
(5) NACQ replaced with SilverRange, since all dealings to date have been with representatives of SilverRange.
(6) “of the Refinery” added for greater clarity.

Section 1.1(g): “contamination at” added for greater clarity.

Section 1.1(o)(ii): “or threatens to suspend” removed from definition of “Insolvency Event”, in order to create more certainty about when such an event occurs.

Section 1.1(p): definition of “Legal Proceeding” moved from Representations and Warranties section to definitions, for ease of reading.

Section 3.1(a): requirement added that NARL and NACQ must notify NR if NARL is no longer wholly owned or controlled by NARL, or if NACQ is no longer controlled by SilverRange. It is an event of default if NARL is no longer controlled by NACQ, or NACQ by SilverRange (14.1(b)).

Section 4.6: Due to revised project timelines, NARL must now only submit a sampling plan for Phase II of the ESA prior to January 1st, 2015, and must submit Phase II prior to June 30th, 2015 (rather than December 31st, 2014).

Section 5.1: “or other regulatory authority” added, to reflect the fact that it may not be the Department of Environment and Conservation that directs remediation.

Section 12.2(b): NACQ described as a “limited liability company” for greater accuracy.

Section 12.2(h)(ii): defined term “legal proceeding” used for greater clarity.
Section 13.3: “Government” replaced with “government of Newfoundland and Labrador” for greater clarity.

Section 14.6: “NR” replaced with “the Department of Natural Resources”, since NR is a defined term referring to “Her Majesty in Right of Newfoundland and Labrador” and restriction is limited to the Department itself rather than the GNL as a whole.

Section 15.2: members of executive committee for NR, NACQ, NARL and ENV added.

Section 16.1: title for NACQ contact added, NARL contact added.
Harvest Operations: Select Financial and Operational Indicators
(CA$ Millions unless otherwise indicated)

<table>
<thead>
<tr>
<th>Financial</th>
<th>Q3 2013</th>
<th>Q3 2013</th>
<th>Q4 2012</th>
<th>Difference from Last Quarter</th>
<th>Difference from Q4 2012</th>
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<tbody>
<tr>
<td>Revenue(^1)</td>
<td>$1,307.3</td>
<td>$1,299.9</td>
<td>$1,546.0</td>
<td>$7.4 ($238.7)</td>
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<tr>
<td>Upstream</td>
<td>$223.2</td>
<td>$245.3</td>
<td>$255.6</td>
<td>($22.1) ($32.4)</td>
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</tr>
<tr>
<td>Downstream(^2)</td>
<td>$1,084.2</td>
<td>$1,054.6</td>
<td>$1,290.3</td>
<td>$29.6 ($206.1)</td>
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</tr>
<tr>
<td>Net Earnings/Income</td>
<td>($517.8)</td>
<td>($79.5)</td>
<td>($536.7)</td>
<td>($438.3) $18.9</td>
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</tr>
<tr>
<td>Cash Flow from Operating Activities</td>
<td>$6.1</td>
<td>$50.6</td>
<td>$133.0</td>
<td>($44.5 ($126.9)</td>
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</tr>
<tr>
<td>Total Assets(^3)</td>
<td>5,289.9</td>
<td>5,626.1</td>
<td>5,654.6</td>
<td>-36.6 -36.7</td>
<td></td>
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<tr>
<td>Total Liabilities(^4)</td>
<td>3,350.7</td>
<td>3,174.8</td>
<td>2,962.7</td>
<td>$175.9 n/a</td>
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<tr>
<td>Total Shareholders' Equity(^5)</td>
<td>1,939.2</td>
<td>2,451.3</td>
<td>2,691.9</td>
<td>($152.1) n/a</td>
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<tr>
<td>Upstream Capital Expenditures(^6)</td>
<td>$128.1</td>
<td>$60.8</td>
<td>$44.4</td>
<td>$67.9 $83.7</td>
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</tr>
<tr>
<td>Downstream Capital Expenditures</td>
<td>$8.1</td>
<td>$12.5</td>
<td>$21.5</td>
<td>$5.5 ($3.4)</td>
<td></td>
</tr>
<tr>
<td>Downstream Gross Margin</td>
<td>$35.0 ($1.7)</td>
<td>$79.2</td>
<td>$36.7</td>
<td>($44.2)</td>
<td></td>
</tr>
<tr>
<td>Refined Product Sales(^7)</td>
<td>$1,084.2</td>
<td>$1,054.6</td>
<td>$1,290.3</td>
<td>$29.6 ($206.1)</td>
<td></td>
</tr>
<tr>
<td>Purchased products for processing and resale</td>
<td>$1,049.2</td>
<td>$1,056.3</td>
<td>$1,211.1</td>
<td>($7.1 ($161.9)</td>
<td></td>
</tr>
<tr>
<td>Average Refining Margin (US$/bbl)</td>
<td>$2.50 ($1.43)</td>
<td>$6.43</td>
<td>$3.93</td>
<td>($3.93)</td>
<td></td>
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</tbody>
</table>

Operations:

| Upstream Production (thousands of bbl/day) | 49.2 | 51.8 | 58.2 | -2.6 | -9.0 |
| Refinery Throughput (thousands of barrels/day) | 92.3 | 93.8 | 111.1 | -1.5 | -18.8 |
| Yield (% of throughput volume)\(^8\) | 56% | 97% | 99% | 1% | 1% |
| Gasoline and related products | 32% | 28% | 32% | 4% | 0% |
| Ultra low sulphur diesel and jet fuel | 37% | 36% | 40% | 1% | 3% |
| High sulphur fuel oil | 29% | 33% | 27% | -4% | 2% |

1. Net of royalties and the effective portion of Harvest's crude oil hedges.
2. Net of intra-segment sales reflecting the refined products produced by the refinery and sold by the marketing division.
3. As at September 30.
4. Capital asset additions (excluding acquisitions in the upstream).
5. Based on production volumes after adjusting for changes in inventory held for resale.
6. Numbers may not sum to totals due to rounding.
7. n/a represents not available or not applicable.
8. \(\%\) of throughput volume is defined as the \(\%\) of total production volume processed by the refinery.

**NL Discussion:**

- There was a question after the presentation regarding the refinery and the fact that is has been losing a decent amount of money. It was asked if Harvest was considering selling or divesting. Harvest responded saying the refinery is not part of their long term plans and they are currently looking at all options (selling, divesting, closing etc). When asked if there would be a decision in the next quarter, Harvest said they are getting closer to a decision.

- Downstream operations include the purchase and refining of crude oil at a medium gravity sour crude oil hydrocracking refinery, and the sale of the refined products to commercial, wholesale and retail customers. The Downstream business operates under Harvest's wholly owned subsidiary, North Atlantic
Refining Limited ("North Atlantic") located in the Province of Newfoundland and Labrador.

4th Quarter Highlights

- Net loss was $517.8 million, a decrease of $18.8 million primarily due to decreased DD&A and impairment charges, partially offset by lower cash contributions in 2013. The main drivers to the net losses in the fourth quarters of 2013 and 2012 were the downstream’s PP&E impairment.

- Upstream production volumes averaged 49,154 boe/d in the fourth quarter, a 16% decrease compared to the fourth quarter of 2012 due to natural declines, smaller 2012 and 2013 capital drilling programs and dispositions of certain non-core producing properties.

- Operating netbacks prior to hedging for the quarter averaged $26.10/boe, a decrease from $30.61/boe for the same period in 2012 due to higher operating expense and royalties per boe, partially offset by higher average realized prices.

- During the fourth quarter of 2013, Harvest sold certain non-core oil and gas assets with approximately 600 boe/d of production in Alberta.

- Phase 2 of the BlackGold project, targeted to increase production capacity to 30,000 bbl/d from 10,000 bbl/d, received approval from Alberta Environment in December.

- Fourth quarter gross refining margins averaged US$2.50/bbl compared to US$6.43/bbl in the same quarter of 2012 due to lower realized product crack spreads, lower sales volumes, and lower distillates yield as compared to 2012.

- Refinery throughput volume averaged 92,339 bbl/d in the fourth quarter, a decrease of 21,726 bbl/d compared to the same period in 2012 due to the planned two-week shutdown to complete a partial change-out of catalyst and the unplanned one-week shutdown of the crude unit to repair an exchanger leak.

- On October 18, 2013, the borrowing capacity of Harvest's credit facility was increased from $800 million to $1.0 billion.

- In December, Harvest entered into a five year $200 million subordinated loan agreement with KNOC. As at March 6, 2014 Harvest has borrowed $160 million under the loan agreement.

Downstream

- Throughput volume averaged 92,339 bbl/d (2012 – 114,065 bbl/d) and 98,081 bbl/d (2012 – 103,355 bbl/d) for the three months and year ended December 31, 2013, respectively. The decreased throughput in the current periods is due to a partial
catalyst change-out in the fourth quarter and more operational outages experienced throughout 2013.

- Refining gross margin per bbl averaged US$2.50/bbl (2012 - US$6.43/bbl) and US$1.07/bbl (2012 - US$4.87/bbl) for the three months and year ended December 31, 2013, respectively. The decreases in gross margin were mainly due to lower product crack spreads and poorer yield mix.

- Cash deficiency from Harvest’s Downstream operations was $32.3 million (2012 - $3.0 million) and $152.4 million (2012 - $41.7 million) for the fourth quarter and year ended December 31, 2013, respectively. The increases in Downstream’s cash deficiency were mainly due to lower average refining gross margins per bbl as compared to the prior year periods.

- An impairment of PP&E of $458.9 million (2012 – $535.5 million) was recognized in the fourth quarter and year ended December 31, 2013.

- Operating loss totaled $506.4 million (2012 – $566.0 million) for the fourth quarter of 2013, a $59.6 million decrease from 2012 primarily due to the lower impairment of PP&E. Operating loss for the year ended December 31, 2013 was $691.1 million (2012 - $680.2 million) reflecting a lower gross margin, partially offset by a lower impairment of PP&E.

- Capital asset additions for the three months and year ended December 31, 2013 totaled $18.1 million and $53.2 million respectively (2012 - $21.5 million and $54.2 million respectively), relating to various capital projects including the purchase of a compressor, partial change-out of the isomax catalyst, crude tank recertification and turnaround planning and preparation costs.

- The refinery gross margin for the three months ended December 31, 2013 decreased 67% as compared to the same period in the prior year. The overall decrease can be attributed to lower realized product crack spreads as a result of current market conditions, lower sales volumes and lower distillates yield in the fourth quarter of 2013 as compared to 2012. Realized product crack spreads for all product groups were lower in the quarter as compared to 2012 as a result of lower market prices and the increased cost of RINs for gasoline and distillates.

- The refinery gross margin for the year ended December 31, 2013 decreased 79% as compared to the same period in the prior year. The lower gross margin is a result of decreased product crack spreads combined with lower distillates yield. The lower production and sales in 2013 is mainly the result of the unplanned unit outages during the year. Realized product crack spreads for all product groups were lower for the year due to lower market prices and the increased cost of RINs.

- Refinery sales decreased by $207.4 million in the fourth quarter of 2013 from $1,257.9 million in the fourth quarter of 2012 as a result of lower sales volumes mainly due to outages and lower product pricing, partially offset by the strengthening of the U.S. dollar. Sales for the year ended December 31, 2013 have also decreased by $340.8 million from $4,628.7 million in the prior year as a consequence of lower
sales volume and lower realized product prices, partially offset by the strengthening of the U.S. dollar.

Financial/Operations Discussion:

Upstream

- Sales volumes for the fourth quarter and year ended December 31, 2013 decreased by 9,074 boe/d and 6,854 boe/d, respectively, as compared to the same periods in 2012. The decreases were primarily due to natural declines, smaller 2012 and 2013 capital drilling programs and dispositions of certain non-core producing properties in the most recent five quarters.

- Operating netback prior to hedging for the fourth quarter of 2013 was $26.10/boe, a decrease of $4.51/boe from 2012 mainly due to higher operating expense and royalties per boe, partially offset by higher average realized prices. Operating netback prior to hedging for the year ended December 31, 2013 was $29.31/boe, an increase of $0.85/boe from 2012 mainly due to higher average realized prices, partially offset by higher operating expenses per boe.

- Cash contribution from Harvest's Upstream operations for the fourth quarter and year ended December 31, 2013, decreased $40.9 million and $63.7 million, respectively, mainly driven by lower sales volumes and changes in operating netback per boe.

- Operating income was $2.3 million (2012 - $36.1 million) for the fourth quarter of 2013, a decrease of $33.8 million mainly due to a $24.1 asset impairment and the decrease in cash contribution described above, partially offset by the reduction in DD&A expense. Operating loss was $16.6 million (2012 -$12.7 million) for the year ended December 31, 2013, an increase of $3.9 million mainly as a result of decreased cash contribution described above, partially offset by positive variances in non-cash items including DD&A expense and E&E expense.

- Capital asset additions of $108.5 million during the fourth quarter of 2013 mainly related to the drilling, completion and tie-in of wells. Twenty-eight gross wells (22.2 net) were rig-released during the fourth quarter. Capital asset additions of $322.3 million for the year ended December 31, 2013 mainly related to the drilling and tie-in of 96.0 gross (84.1 net) wells which were rig-released year to date.

BlackGold

- Capital asset additions were $128.1 million and $444.5 million for the three months and year ended December 31, 2013, respectively, and mainly related to the construction of the central processing facility ("CPF").

- As at December 31, 2013, Phase 1 of the project was approximately 92% complete. Phase 1 completion, commissioning of the CPF and first steam are expected in 2014.

- Phase 2 of the project received regulatory and environmental approval in 2013.
Other Discussion:

- Net loss was $517.8 million and $781.9 million for fourth quarter and year ended December 31, 2013, respectively (2012 - $536.7 million and $721.0 million, respectively). Net loss increased for both periods due to the changes in the operating losses of the Upstream and Downstream segments, as well as the unrealized foreign exchange losses and lower income tax recovery during 2013.

- Harvest extended the credit facility maturity date by one year to April 30, 2017.

- Harvest early redeemed, at par, its 7.25% Debentures Due 2014 on April 2, 2013 and its 7.25% Debentures Due 2013 on April 15, 2013. The redemptions were funded using US$390 million of drawings on the US$400 million senior unsecured credit facility.

- On May 14, 2013, Harvest issued 2¾% US$630 million senior unsecured notes due May 14, 2018, that are unconditionally and irrevocably guaranteed by KNOC. The proceeds were used to repay the senior unsecured credit facility and early redeem, at par, the 7.50% Debentures Due 2015.

- On October 18, 2013, the borrowing capacity of the credit facility was increased from $800.0 million to $1.0 billion.

- On December 30, 2013 Harvest entered into a five year $200 million subordinated loan agreement with KNOC and borrowed $80.0 million thereunder. On February 28, 2014, Harvest borrowed an additional $80.0 million under the subordinated loan agreement.

Outlook

- Harvest’s capital expenditure budget for 2014 is $620 million, comprised of $350 million for Upstream oil & gas operations, $131 million the BlackGold oil sands project, and $139 million for the Downstream refining and marketing business.

Upstream Outlook

- Production volume is targeted at approximately 48,800 boe/d reflecting natural declines and assets dispositions during 2013 and our 2014 operating costs are expected to average $17.80/boe.

- Harvest has not budgeted for asset acquisitions or dispositions. The Company has identified non-core properties for disposition representing approximately 2,400 boe/d of production. Proceeds from dispositions would be used to manage Harvest’s liquidity, fund development of core assets and for the acquisition of strategic assets.

BlackGold Outlook

- Due to extreme winter conditions the project scaled back construction activities during the first quarter of 2014. Harvest anticipates resuming full construction
activities in the second quarter of 2014 and has revised the project schedule accordingly.

- Harvest anticipates construction completion of the 10,000 bbl/d Phase 1 CPF in the second half of 2014 with first steam expected in the fourth quarter of 2014.

**Downstream Outlook**

- A turnaround is scheduled for the second half of 2014 and will utilize approximately 60% of the capital budget with the remainder allocated to sustaining and reliability improvement projects.

- For the full year 2014, throughput is anticipated to average approximately 92,500 bbl/d, with operating costs and purchased energy costs aggregating to approximately $8.00/bbl.

- Harvest continues to evaluate various business opportunities pertaining to the Downstream business including, but not limited to introduction of joint venture partners, disposition in whole or in part as well as multiple economic scenarios for future operations. An outcome or recommendation arising out of this review has not been determined to date.

Prepared by: Janelle Kenway
Date: March 13, 2014
## Appendix

### Summary of Gross Margins

<table>
<thead>
<tr>
<th></th>
<th>2013 Volumes (million bbls)</th>
<th>2013 (US$/bbl)</th>
<th>2012 Volumes (million bbls)</th>
<th>2012 (US$/bbl)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Refinery</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gasoline products</td>
<td>367.4</td>
<td>3.2</td>
<td>109.76</td>
<td>435.8</td>
</tr>
<tr>
<td>Distillates</td>
<td>444.0</td>
<td>3.4</td>
<td>128.15</td>
<td>556.3</td>
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<tr>
<td>High sulphur fuel oil</td>
<td>190.7</td>
<td>2.1</td>
<td>87.44</td>
<td>234.3</td>
</tr>
<tr>
<td>Other (1)</td>
<td>48.4</td>
<td>0.4</td>
<td>110.52</td>
<td>31.5</td>
</tr>
<tr>
<td><strong>Total sales</strong></td>
<td>1,080.5</td>
<td>9.1</td>
<td>110.43</td>
<td>1,257.9</td>
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<tr>
<td><strong>Feedstock (2)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Crude oil</td>
<td>911.1</td>
<td>8.1</td>
<td>106.57</td>
<td>1,042.9</td>
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<tr>
<td>Vacuum Gas Oil (VGO)</td>
<td>38.5</td>
<td>0.4</td>
<td>108.20</td>
<td>74.6</td>
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<tr>
<td><strong>Total feedstock</strong></td>
<td>949.6</td>
<td>8.5</td>
<td>106.51</td>
<td>1,117.5</td>
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<tr>
<td>Other (3)</td>
<td>78.6</td>
<td></td>
<td>73.6</td>
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<tr>
<td><strong>Total feedstock and other costs</strong></td>
<td>1,028.2</td>
<td>1,191.1</td>
<td></td>
<td></td>
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<tr>
<td><strong>Refinery gross margin (4)</strong></td>
<td>22.3</td>
<td>2.50</td>
<td>66.8</td>
<td>6.43</td>
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</table>

### Marketing

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>179.8</td>
<td>154.3</td>
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<tr>
<td>Cost of products sold</td>
<td>167.1</td>
<td>141.9</td>
</tr>
<tr>
<td><strong>Marketing gross margin (4)</strong></td>
<td>12.7</td>
<td>12.4</td>
</tr>
</tbody>
</table>

### Total gross margin (4) | 35.0 | 79.2 |

(1) Includes sales of vacuum gas oil and hydrocracker bottoms.
(2) Cost of feedstock includes all costs of transporting the crude oil to the refinery in Newfoundland.
(3) Includes inventory adjustments, additives and blendstocks and purchased product for resale.
(4) This is a non-GAAP measure; please refer to "Non-GAAP Measures" in this MD&A.

**Source:** Management’s Discussion and Analysis, Harvest Energy
## Harvest Operations: Select Financial and Operational Indicators  (CA$ Millions unless otherwise indicated)

<table>
<thead>
<tr>
<th>Financial</th>
<th>Q1 2014</th>
<th>Q4 2013</th>
<th>Q1 2013</th>
<th>Difference from Last Quarter</th>
<th>Difference from Q1 2013</th>
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</thead>
<tbody>
<tr>
<td>Revenue¹</td>
<td>$1,364.9</td>
<td>$1,307.3</td>
<td>$1,358.2</td>
<td>$57.6</td>
<td>$6.7</td>
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<tr>
<td>Upstream</td>
<td>$251.5</td>
<td>$233.2</td>
<td>$236.2</td>
<td>$28.3</td>
<td>$15.3</td>
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<tr>
<td>Downstream²</td>
<td>$1,113.0</td>
<td>$1,084.2</td>
<td>$1,122.0</td>
<td>$28.8</td>
<td>($9.0)</td>
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<tr>
<td>Net Earnings/Income</td>
<td>$3.0</td>
<td>($517.8)</td>
<td>($95.4)</td>
<td>$520.8</td>
<td>$98.4</td>
</tr>
<tr>
<td>Cash Flow from Operating Activities</td>
<td>$195.6</td>
<td>$61</td>
<td>$66.6</td>
<td>$189.5</td>
<td>$129.0</td>
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<tr>
<td>Total Assets³</td>
<td>5,378.3</td>
<td>5,289.9</td>
<td>5,672.1</td>
<td>88.4</td>
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<tr>
<td>Total Liabilities³</td>
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<td>$3,350.7</td>
<td>$3,068.9</td>
<td>$105.1</td>
<td>$386.9</td>
</tr>
<tr>
<td>Total Shareholders’ Equity³</td>
<td>$1,922.5</td>
<td>$1,939.2</td>
<td>$2,603.2</td>
<td>($16.7)</td>
<td>n/a</td>
</tr>
<tr>
<td>Upstream Capital Expenditures⁴</td>
<td>$134.3</td>
<td>$108.5</td>
<td>$122.2</td>
<td>$25.8</td>
<td>$11.1</td>
</tr>
<tr>
<td>Downstream Capital Expenditures</td>
<td>$3.1</td>
<td>$18.1</td>
<td>$12.5</td>
<td>($15.0)</td>
<td>($9.4)</td>
</tr>
<tr>
<td>Downstream Gross Margin</td>
<td>$105.4</td>
<td>$35.0</td>
<td>$35.6</td>
<td>$70.4</td>
<td>$69.8</td>
</tr>
<tr>
<td>Purchased products for processing and resale</td>
<td>$1,008.0</td>
<td>$1,049.2</td>
<td>$1,086.4</td>
<td>($41.2)</td>
<td>($78.4)</td>
</tr>
<tr>
<td>Average Refining Margin (US$/bbl)</td>
<td>9.6</td>
<td>2.5</td>
<td>2.5</td>
<td>$7.08</td>
<td>$7.07</td>
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</table>

### Operations:

<table>
<thead>
<tr>
<th></th>
<th>Q1 2014</th>
<th>Q4 2013</th>
<th>Q1 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Upstream Production (thousands of boe/day)</td>
<td>48.5</td>
<td>49.2</td>
<td>55.8</td>
</tr>
<tr>
<td>Refinery Throughput (thousands of barrels/day)</td>
<td>95.8</td>
<td>92.3</td>
<td>100.1</td>
</tr>
<tr>
<td>Yield (% of throughput volume)⁵</td>
<td>97%</td>
<td>98%</td>
<td>98%</td>
</tr>
<tr>
<td>Gasoline and related products</td>
<td>32%</td>
<td>32%</td>
<td>29%</td>
</tr>
<tr>
<td>Ultra low sulphur diesel and jet fuel</td>
<td>37%</td>
<td>37%</td>
<td>35%</td>
</tr>
<tr>
<td>High sulphur fuel oil</td>
<td>28%</td>
<td>29%</td>
<td>34%</td>
</tr>
</tbody>
</table>

1. Net of royalties and the effective portion of Harvest’s crude oil hedges.
2. Net of intra-segment sales reflecting the refined products produced by the refinery and sold by the marketing division.
3. As at March 31.
4. Capital asset additions (excluding acquisitions in the upstream).
5. Based on production volumes after adjusting for changes in inventory held for resale.
6. Numbers may not sum to totals due to rounding.
7. n/a represents not available or not applicable.

### NL Discussion:

- During the call, Harvest noted the North Atlantic Refinery had a shut-down period in January due to an island wide power outage. They also noted that weather in February further impacted the operations at the refinery.

### North Atlantic Petroleum (NARL)/Downstream

- Cash contribution from downstream operations was $33.7 million for the first quarter of 2014, compared to a cash deficiency of $33.0 million in the same period in 2013. This was mainly due to a US$7.07/bbl improvement of the average refining margin and an improved yield mix compared to the same quarter in 2013.
• First quarter gross refining margins averaged US$9.58/bbl compared to US$2.51/bbl in the same quarter of 2013 due to higher realized product margins as a result of improved sour crude differentials.

• Refinery sales decreased by $11.6 million in the first quarter of 2014 from $1,086.2 million in the same period of 2013 mainly as a result of lower sales volume and lower realized product prices partially offset by a gain on the U.S. exchange rate. The lower realized product prices are consistent with changes in the benchmark market prices.

• For the full year 2014 throughput is anticipated to average approximately 92,500 bbl/d, with operating costs and purchased energy costs aggregating to approximately $8.00/bbl. In the first quarter of 2014 throughput averaged 95,767 bbl/d with operating and purchased energy costs of $7.37/bbl. The first quarter also saw lower volumes of vacuum gas oil processed due to constrained market economics.

• The 2014 capital budget for the downstream operations has been revised to $38 million from $139 million due to the rescheduling of a refinery turnaround that was planned for the second half of 2014. The turnaround postponement is a result of running cleaner produced vacuum gas oils in the Isomax unit resulting in an extension of the catalyst life. The remaining capital spending in 2014 is allocated to sustaining and reliability improvement projects. As at the end of the first quarter of 2014 the Downstream Operations had utilized $3.1 million of the capital budget.

• Harvest continues to evaluate various business opportunities pertaining to the downstream business including, but not limited to, introduction of joint venture partners, disposition, in whole or in part, as well as multiple other economic scenarios for future operations. An outcome or recommendation arising out of this review has not been determined to date.

General / Upstream Discussion

Revenue/Earnings
• Net income was $3.0 million for the first quarter of 2014 (an increase of $98.4 million from the first quarter of 2013). This was due to the improvements of the operating income in both the Upstream and Downstream segments in the current quarter, partially offset by greater foreign exchange losses and a lower income tax recovery during the first quarter of 2014.

• In December of 2013, Harvest entered into a five year $200 million subordinated loan agreement with Korea National Oil Corporation (KNOC). As of March 31, 2014 Harvest has borrowed $160 million under the loan agreement.

• Operating income was $21.8 million for the first quarter of 2014 (2013 – operating loss of $22.5 million), an increase of $44.3 million mainly due to the reduction in DD&A expense and the increase in average realized selling price.

Production, E&P
• Upstream production volume for the year 2014 is targeted at approximately 48,800 boe/d reflecting natural declines and assets dispositions during 2013 and our 2014 operating costs are expected to average $17.80/boe. During the first quarter of 2014 production averaged 48,487 boe/d and operating expense was $20.29/boe due to higher than expected power costs as well as repairs and maintenance charges. The 2014 annual capital budget for the upstream business is $350 million and during the first quarter of 2014 Harvest spent $134.3 million on capital expenditures.

• Operating netback prior to hedging for the first quarter of 2014 was $37.27/boe, an increase of $9.72/boe from the same quarter in 2013 mainly due to higher average realized prices, partially offset by higher operating expense and royalties per boe.

Capital Programs
• Harvest’s revised capital expenditure budget for 2014 is $519 million, comprised of $350 million for upstream oil & gas operations, and $131 million for the BlackGold oil sands project.
• Capital asset additions of $134.3 million during the first quarter of 2014 mainly related to the drilling, completion and tie-in of wells. Forty-one gross wells (31.9 net) were rig-released during the first quarter. On April 23, 2014, Harvest entered into two joint ventures with KERR Canada Co. Ltd. (“KERR”).

Other Discussion:
• During the first quarter of 2014, Harvest continued to concentrate its drilling activities in certain of its core growth areas, the primary areas of focus for Harvest’s Upstream drilling program are:
  o Deep Basin – participating or drilling deep, horizontal multi-stage fractured wells to develop the liquids-rich Falher and Montney liquids-rich gas formations;
  o Hay River – pursuing heavy gravity oil in the Bluesky formation using multi-leg horizontal oil wells;
  o Red Earth – activities are spread across the Loon Lake, Gift, Evi and Golden areas targeting light oil formations primarily in the Slave Point and also the Gilwood;
  o Western Alberta – activities spread across several fields with recent efforts targeting mainly the Cardium, Glaucnite, Ostracod, and Notikewin formations;
  o Heavy Oil area – horizontal heavy oil wells in the Lloydminster region of Alberta into the McLaren, Lloydminster, Grand Petroleum and Sparky formations.

Prepared by: Janelle Kenway
Date: May 23, 2014
## Appendix

### Summary of Gross Margins

<table>
<thead>
<tr>
<th></th>
<th>Three Months Ended March 31</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2014</td>
<td>2013</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Volumes (million bbis)</td>
<td>(US$/bbl)</td>
<td>Volumes (million bbis)</td>
</tr>
<tr>
<td><strong>Refinery</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gasoline products</td>
<td>383.6</td>
<td>110.24</td>
<td>347.3</td>
</tr>
<tr>
<td>Distillates</td>
<td>458.4</td>
<td>125.78</td>
<td>427.7</td>
</tr>
<tr>
<td>High sulphur fuel oil</td>
<td>209.5</td>
<td>87.29</td>
<td>224.2</td>
</tr>
<tr>
<td>Other&lt;sup&gt;(1)&lt;/sup&gt;</td>
<td>23.1</td>
<td>113.70</td>
<td>87.0</td>
</tr>
<tr>
<td>Total sales</td>
<td>1,074.5</td>
<td>8.8</td>
<td>110.47</td>
</tr>
<tr>
<td>Feedstock&lt;sup&gt;(2)&lt;/sup&gt;</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Crude oil</td>
<td>912.0</td>
<td>8.5</td>
<td>97.51</td>
</tr>
<tr>
<td>Vacuum Gas Oil (“VGO”)</td>
<td>17.3</td>
<td>0.1</td>
<td>108.26</td>
</tr>
<tr>
<td>Total feedstock</td>
<td>929.3</td>
<td>8.6</td>
<td>97.69</td>
</tr>
<tr>
<td>Other&lt;sup&gt;(3)&lt;/sup&gt;</td>
<td>54.2</td>
<td></td>
<td>73.8</td>
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<tr>
<td>Total feedstock and other costs</td>
<td>983.5</td>
<td></td>
<td>1,063.4</td>
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<tr>
<td>Refinery gross margin&lt;sup&gt;(4)&lt;/sup&gt;</td>
<td>91.1</td>
<td>9.58</td>
<td>22.8</td>
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<tr>
<td><strong>Marketing</strong></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Sales</td>
<td>188.9</td>
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<td>169.2</td>
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<tr>
<td>Cost of products sold</td>
<td>174.6</td>
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<td>156.4</td>
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<tr>
<td>Marketing gross margin&lt;sup&gt;(4)&lt;/sup&gt;</td>
<td>14.3</td>
<td></td>
<td>12.8</td>
</tr>
<tr>
<td>Total gross margin&lt;sup&gt;(4)&lt;/sup&gt;</td>
<td>105.4</td>
<td></td>
<td>35.6</td>
</tr>
</tbody>
</table>

<sup>(1)</sup> Includes sales of vacuum gas oil and hydrotreater bottoms.

<sup>(2)</sup> Cost of feedstock includes all costs of transporting the crude oil to the refinery in Newfoundland.

<sup>(3)</sup> Includes inventory adjustments, additives and blendstocks and purchased product for resale.

<sup>(4)</sup> This is a non-GAAP measure; please refer to ‘Non-GAAP Measures’ in this MD&A.

---

**Source:** Management’s Discussion and Analysis, Harvest Energy
## Harvest Operations: Select Financial and Operational Indicators

### Financial Indicators (CA$ Millions unless otherwise indicated)

<table>
<thead>
<tr>
<th></th>
<th>Q2 2014</th>
<th>Q2 2013</th>
<th>YTD 2014</th>
<th>YTD 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong>¹</td>
<td>$1,364.7</td>
<td>$1,399.3</td>
<td>$2,729.6</td>
<td>$2,757.5</td>
</tr>
<tr>
<td><strong>Upstream</strong></td>
<td>$244.3</td>
<td>$243.2</td>
<td>$495.7</td>
<td>$479.4</td>
</tr>
<tr>
<td><strong>Downstream</strong>²</td>
<td>$1,120.4</td>
<td>$1,156.1</td>
<td>$1,364.7</td>
<td>$1,399.3</td>
</tr>
<tr>
<td><strong>Net Earnings/Income</strong></td>
<td>$(24.8)</td>
<td>$(89.2)</td>
<td>$(21.8)</td>
<td>$(184.6)</td>
</tr>
<tr>
<td><strong>Cash Flow from Operating Activities</strong></td>
<td>$62.6</td>
<td>$77.3</td>
<td>$258.2</td>
<td>$143.9</td>
</tr>
<tr>
<td><strong>Return on Capital Employed</strong></td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td><strong>Return on Equity</strong></td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td><strong>Total Assets</strong>³</td>
<td>5,378.3</td>
<td>5,289.9</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong>³</td>
<td>$3,455.8</td>
<td>$3,350.7</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td><strong>Total Shareholders’ Equity</strong>³</td>
<td>$1,922.5</td>
<td>$1,939.2</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td><strong>Upstream Capital Expenditures</strong>⁴</td>
<td>$61.6</td>
<td>$27.9</td>
<td>$195.9</td>
<td>$153.0</td>
</tr>
<tr>
<td><strong>Downstream Capital Expenditures</strong></td>
<td>$7.4</td>
<td>$10.1</td>
<td>$10.6</td>
<td>$22.6</td>
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<tr>
<td><strong>Downstream Gross Margin</strong></td>
<td>$16.6</td>
<td>$20.6</td>
<td>$122.0</td>
<td>$56.2</td>
</tr>
<tr>
<td><strong>Refined Product Sales</strong>²</td>
<td>$1,120.4</td>
<td>$1,156.1</td>
<td>$2,233.8</td>
<td>$2,278.1</td>
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<tr>
<td><strong>Purchased products for processing and resale</strong></td>
<td>$1,103.8</td>
<td>$1,135.5</td>
<td>$2,111.8</td>
<td>$2,221.9</td>
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<tr>
<td><strong>Average Refining Margin (US$/bbl)</strong></td>
<td>$0.25</td>
<td>$0.74</td>
<td>$4.93</td>
<td>$1.59</td>
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### Operations:

<table>
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<tr>
<th></th>
<th>Q2 2014</th>
<th>Q2 2013</th>
<th>n/a</th>
<th>n/a</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Upstream Production (thousands of boe/day)</strong></td>
<td>47,556.0</td>
<td>53,461.0</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td><strong>Resources/Reserves</strong></td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td><strong>Reserve Replacement</strong></td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td><strong>Refinery Throughput (thousands of barrels/day)</strong></td>
<td>95.4</td>
<td>106.2</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>**Yield (% of throughput volume)**³</td>
<td>97%</td>
<td>96%</td>
<td>97%</td>
<td>97%</td>
</tr>
<tr>
<td><strong>Gasoline and related products</strong></td>
<td>31%</td>
<td>33%</td>
<td>32%</td>
<td>31%</td>
</tr>
<tr>
<td><strong>Ultra low sulphur diesel and jet fuel</strong></td>
<td>36%</td>
<td>43%</td>
<td>36%</td>
<td>39%</td>
</tr>
<tr>
<td><strong>High sulphur fuel oil</strong></td>
<td>30%</td>
<td>20%</td>
<td>29%</td>
<td>27%</td>
</tr>
</tbody>
</table>

1. Net of royalties and the effective portion of Harvest's crude oil hedges.
2. Net of intra-segment sales reflecting the refined products produced by the refinery and sold by the marketing division.
3. As at June 30.
4. Capital asset additions (excluding acquisitions in the upstream).
5. Based on production volumes after adjusting for changes in inventory held for resale.
6. Numbers may not sum to totals due to rounding.
7. n/a represents not available or not applicable.

### NL Discussion:

- During the conference call, Harvest mentioned it is continuing to look at strategic long term options for its refinery.

### North Atlantic Petroleum (NARL)/Downstream

- Cash contribution (deficiency) from downstream operations was $43.6 million for the first quarter of 2014, (2013 – $28.1 million). The increase in Downstream's cash deficiency was mainly due to lower
refining gross margin and higher purchased energy expense as compared to the second quarter of 2013. Cash deficiency from Harvest’s Downstream operations for the first six months of 2014 was $9.8 million (2013 – $61.2 million). The improvement in Downstream’s cash deficiency was mainly due to a higher average refining gross margin for the year to date, most of which occurred in the first quarter of 2014.

- Gross refining margins averaged US$0.25/bbl during the second quarter of 2014 (2013 - US$0.74/bbl) and US$4.93/bbl for the first six months of 2014 (2013 - US$1.59/bbl). The decrease in gross margin per bbl for the second quarter was mainly due to a weaker yield mix with greater sales volumes of high sulphur fuel oil. The increase in gross margin per bbl for the first six months of the year was mainly due to higher realized product margins in the first quarter of 2014 as a consequence of improved sour crude differentials.

- Refinery sales for the three and six months ended June 30, 2014 have decreased by $38.5 million and $50.1 million from the same periods of 2013 respectively mainly as a result of lower sales volume partially offset by a stronger U.S. exchange rate and higher realized product prices. The higher realized product prices were consistent with changes in the benchmark market prices.

- For the full year 2014 throughput is anticipated to average approximately 87,100 bbl/d, with operating costs and purchased energy costs aggregating to approximately $8.00/bbl. For the first six months of 2014 throughput averaged 95,588 bbl/d with operating and purchased energy costs of $6.68/bbl.

- The 2014 capital budget for the Downstream operations is $38 million. As of June 30, 2014 the Downstream had utilized $10.6 million of its capital budget.

General / Upstream Discussion

Revenue/Earnings

- Net loss was $24.8 million for the second quarter of 2014 (2013 – $89.2 million) and $21.9 million for the first six months of 2014 (2013 - $184.5 million). Net loss improved in both periods as compared to the prior year due to the improvements of operating income in both the Upstream and Downstream segments as described above and the positive changes to foreign exchange (gains) losses, partially offset by the recognition of income tax expense in the current year periods.

- On June 18, 2014, Harvest borrowed the final $40.0 million under the $200 million subordinated loan agreement with KNOC.

- During the second quarter, Harvest entered into two joint ventures with KERR Canada Co. Ltd. ("KERR").

- Operating income was $32.2 million and $53.8 million for the second quarter and first six months of 2014, respectively (2013 – operating losses of $0.4 million and $22.8 million). The increase in operating income for both periods was mainly due to the decrease of DD&A expenses as a result of the change in accounting estimate made in the fourth quarter of 2013. Operating income for both periods also benefitted from increases in average realized prices and decreased operating expenses, partially offset by increased royalties expenses and lower sales volumes.

Production, E&P

- Production volume for the year 2014 is targeted at approximately 47,300 boe/d, a decrease from 48,800 as reported in the first quarter. This decrease is a result of Harvest selling assets to the Deep Basin Partnership in April of 2014 in addition to the disposition of certain oil and gas assets. Our 2014 operating costs are expected to average $19.50/boe an increase from $17.80/boe as reported in the first quarter. For the first six months of 2014 production averaged 48,019 boe/d and operating expense was $19.55/boe.

- Operating netbacks prior to hedging for the second quarter and first six months of 2014 were $37.02/boe and $37.15/boe, respectively, increases of $6.27/boe and $8.01/boe from the same
periods in 2013 mainly due to higher average realized prices, partially offset by higher royalties, operating expenses and transportation and marketing expenses per boe.

**Capital Programs**
- Harvest’s revised capital expenditure budget for 2014 is $623 million, comprised of $350 million for Upstream oil & gas operations, $235 million for the BlackGold oil sands project and $38 million for the Downstream refining and marketing business.

- Capital asset additions of $61.6 million and $195.9 million during the second quarter and first six months of 2014 mainly related to the drilling, completion and tie-in of wells. Five gross wells (4.1 net) were rig-released during the second quarter and 46 gross wells (36.0 net) have been rig-released in the first six months of 2014.

- The 2014 annual capital budget for the upstream business is $350 million and during the first quarter of 2014 Harvest spent $134.3 million on capital expenditures.

**Other Discussion**
- Capital spending for BlackGold was $49.2 million and $91.4 million for the second quarter and first six months of 2014, respectively, mainly related to the construction of the Central Processing Facility (CPF).

- Phase 1 of the project is approximately 95% complete as at June 30, 2014. Phase 1 completion, commissioning of the CPF and first steam are expected in 2014.

Prepared by: Janelle Kenway  
Date: August 20, 2014
## Appendix

### Summary of Gross Margins

<table>
<thead>
<tr>
<th></th>
<th>2014 Volumes(^{(1)})</th>
<th>(US$/bbl)</th>
<th>2013 Volumes(^{(1)})</th>
<th>(US$/bbl)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Refinery</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Sales</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gasoline products</td>
<td>357.1</td>
<td>2.8</td>
<td>119.33</td>
<td></td>
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<tr>
<td>Distillates</td>
<td>468.5</td>
<td>3.5</td>
<td>121.72</td>
<td></td>
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<tr>
<td>High sulphur fuel oil</td>
<td>211.8</td>
<td>2.2</td>
<td>89.47</td>
<td></td>
</tr>
<tr>
<td>Other(^{(1)})</td>
<td>50.2</td>
<td>0.4</td>
<td>112.91</td>
<td></td>
</tr>
<tr>
<td><strong>Total sales</strong></td>
<td>1,087.6</td>
<td>8.9</td>
<td>112.66</td>
<td></td>
</tr>
<tr>
<td><strong>Feedstock(^{(2)})</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Crude oil</td>
<td>987.5</td>
<td>8.5</td>
<td>105.91</td>
<td></td>
</tr>
<tr>
<td>Vacuum Gas Oil (&quot;VGO&quot;)</td>
<td>16.0</td>
<td>0.2</td>
<td>116.03</td>
<td></td>
</tr>
<tr>
<td><strong>Total feedstock</strong></td>
<td>1,003.5</td>
<td>8.7</td>
<td>105.98</td>
<td></td>
</tr>
<tr>
<td>Other(^{(3)})</td>
<td>81.7</td>
<td></td>
<td>115.0</td>
<td></td>
</tr>
<tr>
<td><strong>Total feedstock and other costs</strong></td>
<td>1,085.2</td>
<td>8.7</td>
<td>116.98</td>
<td></td>
</tr>
<tr>
<td><strong>Refinery gross margin(^{(4)})</strong></td>
<td>2.4</td>
<td>0.25</td>
<td>7.3</td>
<td>0.74</td>
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<tr>
<td><strong>Marketing</strong></td>
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<td></td>
</tr>
<tr>
<td>Sales</td>
<td>171.7</td>
<td></td>
<td>161.9</td>
<td></td>
</tr>
<tr>
<td>Cost of products sold</td>
<td>157.5</td>
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<td>148.6</td>
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<tr>
<td><strong>Marketing gross margin(^{(4)})</strong></td>
<td>14.2</td>
<td></td>
<td></td>
<td>13.3</td>
</tr>
<tr>
<td><strong>Total gross margin(^{(4)})</strong></td>
<td>16.6</td>
<td></td>
<td>20.6</td>
<td></td>
</tr>
</tbody>
</table>

**Source:** Management’s Discussion and Analysis, Harvest Energy
Title: May 29, 2014 North Atlantic Refining Community Liaison Committee Meeting

Issue: Highlights of Regular Monthly Meeting of CLC

Background and Current Status:

- The committee holds its monthly meeting at 6:00 PM on the last Thursday of each month at the Community Centre in Arnold’s Cove.
- Attendees included representatives from surrounding towns (Sunnyside, Come-By-Chance, Arnold’s Cove and Southern Harbour), refinery management, representatives from the provincial government departments of Natural Resources and Environment and Conservation, and a representative from Eastern Health. Other Representatives from the Arnold’s Cove Area Chamber of Commerce, the refinery unions and the federal government are members but attend rarely.
- The committee was formed after residents of towns surrounding the refinery began to publicly complain that emissions from the refinery were impairing their quality of life because of the unpleasant odour and appearance of smoke or haze from the refinery.
- The chair of the meeting is the most senior refinery executive present. Typically this is Vice President Alfred Efford.
- Meeting agendas usually include updates on the refinery’s environmental footprint, government permits, concerns of surrounding towns and their residents, and news from the refinery.

Environmental Issues

- The annual Marine Environmental Effects Monitoring Survey for 2013, a study of impacts of refinery operations on water quality and marine life in the surrounding area, was completed by consultant Sikumiut Environmental Management and reviewed with ENVC. The survey is now final and the refinery is in compliance with all environmental standards.
- A similar survey for air quality and land based effects, the Terrestrial Effects Monitoring Survey has been undertaken by consultant Stantec. A preliminary report was completed and reviewed internally by refinery officials with clarification requested and received on particular items. This report has now been forwarded to ENVC for review.
- A dispersion model is also close to completion. This study models wind and airflow patterns and how emissions are dispersed throughout the local area. The emission rates and methodology to be used in the modelling exercise have been approved by ENVC and preliminary results are now being assessed, including an internal review of SO₂ emissions for the years being modeled. Further discussions between refinery officials and ENVC are scheduled for June 2014.
- In May 2014, the refinery completed its 2013 National Pollutant Release Inventory (NPRI) and filed it as required with Environment Canada.
- Consultant Lehder has been contacted by refinery officials to conduct the annual stack testing survey. This is tentatively scheduled to take place in September 2014.
- There were no reportable spills and no air quality complaints since the last CLC meeting.
- Operation of the Waste Water Treatment Plant is meeting and exceeding all discharge standards under the refinery’s Certificate of Approval.
- Ongoing monitoring for ambient air quality including particulate matter and SO₂ emissions show that the refinery is within all federally and provincially mandated limits.
• In May the refinery has been averaging approximately 31.0 tonnes per day of SO$_2$ emissions.

Operations
• The crude rate averaged approximately 105,000 barrels per day (bpd) for the April-May period. Feedstock consisted mainly of Basrah crude supplemented with West Texas Intermediate (WTI).
• On May 22, crude throughput was reduced to 85,000 bpd to minimize Naphtha production (a hydrocarbon distillate which is used primarily for solvents and for raw material for conversion to gasoline). This was to accommodate the Naphtha Hydrotreater and the Platformer units being taken offline on May 23 for a planned regeneration of the Platformer catalyst, heater work, and recertification of pressure safety valves. Refinery officials indicated that this is a short turnaround lasting 21 days from slow-down to ramp-up of production with a 14 day actual maintenance window.
• Construction of the Vapor Recovery Unit (VRU) has been completed and is in the final stages of commissioning prior to handover to operations.
• The capital projects group is finalizing plans to start Tank-101 de-sludging and is preparing a tender package for upcoming work on Tank-747 and several small projects in the process units.
• Along with execution of work related to the current Platformer outage, there is also planning on-going for a tentatively scheduled plant outage in September.
• Shipping activities at the Jetty and at the Truck Loading rack were high through the period with the refinery running at or near peak capacity.
• For June, the refinery plans to continue running a mixture of primarily Basrah Crude with various proportions of Louisiana Light Sweet (LLS), Vasconia, and WTI. Refinery officials indicated that current economics favour a mixture of about 70% heavy or medium sour crudes (such as Basrah) and 30% light sweet crudes (such as LLS, Vasconia, or WTI).

Sale of Refinery
• Refinery officials did not have any additional comment on the sale of the refinery other than to say that talks were on-going. They indicated that a negotiation of this magnitude was complicated and takes time.
• Town officials requested that as a courtesy and to exemplify the strong relationship between the refinery and the towns, that they be notified prior to any public announcement. Refinery officials agreed to advise the CLC prior to any public announcement but reminded committee members that the refinery is owned by Harvest Energy, which is in turn owned by the Korean National Oil Company and as such, negotiations would not be happening directly between the refinery and any purchaser. As a result, refinery officials themselves may have limited notice prior to a public announcement.

Actions to be Taken
• DNR will continue to monitor issues tabled at the CLC meetings.
Information Note
Department of Natural Resources

Title: June 26, 2014 North Atlantic Refining Community Liaison Committee Meeting

Issue: Highlights of Regular Monthly Meeting of CLC

Background and Current Status:

- The committee holds its monthly meeting at 6:00 PM on the last Thursday of each month at the Community Centre in Arnold’s Cove.

- Attendees included representatives from surrounding towns (Sunnyside, Come-By-Chance, Arnold’s Cove and Southern Harbour), refinery management, representatives from the provincial government departments of Natural Resources and Environment and Conservation, and a representative from Eastern Health. Other Representatives from the Arnold’s Cove Area Chamber of Commerce, the refinery unions and the federal government are members but attend rarely.

- The committee was formed after residents of towns surrounding the refinery began to publicly complain that emissions from the refinery were impairing their quality of life because of the unpleasant odour and appearance of smoke or haze from the refinery.

- The chair of the meeting is the most senior refinery executive present. Typically this is Vice President Alfred Efford.

- Meeting agendas usually include updates on the refinery’s environmental footprint, government permits, concerns of surrounding towns and their residents, and news from the refinery.

Environmental Issues

- A survey for air quality and land based environmental effects, the Terrestrial Effects Monitoring Survey has been undertaken by consultant Stantec. A preliminary report was completed and reviewed internally by refinery officials with clarification requested and received on particular items. This report has now been forwarded to ENVC and that Department’s review is on-going.

- A dispersion model is also close to completion. This study models wind and airflow patterns and how emissions are dispersed throughout the local area. The emission rates and methodology to be used in the modelling exercise have been approved by ENVC and preliminary results are now being assessed. An internal review of SO₂ emissions for the years being modeled has been completed and some adjustments to calculations in the model are being made.

- Consultant Lehder had been contacted by refinery officials to conduct the annual stack testing survey and it was tentatively scheduled to take place in September 2014, however Lehder was unable to undertake the survey this year so another consultant, Air Testing Services, was subsequently contracted. Preliminary planning for this work has begun and sampling is tentatively scheduled for late July.
• A tender will be issued in July for the 2014 Marine Environmental Effects Monitoring Survey with an award of the contract expected in late July or early August.

• Assessment of the visual opacity of the refinery stack emissions will start in the first week of July.

• Preparations are being made for the 2014 Leak Detection and Repair (LDAR) program. The survey is tentatively scheduled for early fall 2014.

• There were no reportable spills and no air quality complaints since the last CLC meeting.

• Operation of the Waste Water Treatment Plant continues to meet and exceed all discharge standards under the refinery’s Certificate of Approval.

• Ongoing monitoring for ambient air quality including particulate matter and SO₂ emissions show that the refinery is within all federally and provincially mandated limits.

• In June the refinery has been averaging approximately 21.1 tonnes per day of SO₂ emissions.

Operations

• The crude rate averaged approximately 85,000 barrels per day (bpd) for the May-June period. Feedstock consisted mainly of Basrah crude supplemented with West Texas Intermediate (WTI). Louisiana Light Sweet (LLS) crude was added to the blend this week.

• On May 22, crude throughput was reduced to 85,000 bpd to minimize Naphtha production (a hydrocarbon distillate which is used primarily for solvents and for raw material for conversion to gasoline). This was to accommodate the Naphtha Hydrotreater and the Platformer units being taken offline on May 23rd for a planned regeneration of the Platformer catalyst, heater work, and recertification of pressure safety valves. Refinery officials indicated that this would be a short turnaround lasting 21 days from slow-down to ramp-up of production with a 14 day actual maintenance window. This work was completed on schedule and the Hydrotreater and Platformer units were brought back on line on June 14th.

• In addition to the planned unit outages there were unplanned outages making June a challenging month for the refinery:
  - On May 23rd, the Visbreaker unit was taken offline to repair a leak in the process coil in Heater-1201. Repairs to this unit are progressing as per plan and the unit is scheduled to be back on line on June 29th.
  - On June 16th, the Hydrogen Reformer and Isomax units were taken offline to repair a pinhole leak in the high-pressure boiler feedwater header. Repairs have been completed and both of these units are now back on line.

• Construction of the Vapor Recovery Unit (VRU) has been completed and is in the final stages of commissioning prior to handover to operations, which is expected to happen this week.
• On June 10th, Tank-106 was taken out of service to assess repairs to its internal floating roof. As a result of Tank-106 coming out of service, plans to commence de-sludging of Tank-101 have been postponed and Tank-101 has been placed back in service.

• A tender package for upcoming work on Tank-747 and several small projects in the process units has been issued and work is expected to be completed by the end of 2014.

• Shipping activities at the Jetty and at the Truck Loading rack were slower this month due to the reduced crude rate related to the Platformer outage.

• For July, the refinery plans to run a mixture of primarily Basrah Crude with various proportions of Louisiana Light Sweet (LLS) and Vasconia crudes. Refinery economics currently favour a mixture of about 75%+ of heavy or medium sour crudes (such as Basrah) and 25% or less light sweet crudes (such as LLS, Vasconia, or WTI).

Sale of Refinery

• Refinery officials did not have any additional comment on the sale of the refinery other than to say that talks were on-going at the Harvest level (parent company of North Atlantic Refinery).

• Officials have previously committed to notifying members of the CLC in advance of the media should they become aware of a confirmed sale or a pending announcement concerning the future of the refinery.

Action Being Taken:

• DNR will continue to monitor issues tabled at the CLC meetings.

• Next meeting is scheduled for September 25, 2014 after a summer recess during July and August.

Prepared / Approved by:  Rob Bates
Approved by:

June 27, 2014
Information Note
Department of Natural Resources

Title: September 25, 2014 North Atlantic Refining Community Liaison Committee Meeting

Issue: Highlights of Regular Monthly Meeting of CLC

Background and Current Status:

- The committee holds its monthly meeting at 6:00 PM on the last Thursday of each month at the Community Centre in Arnold’s Cove.

- Attendees included representatives from surrounding towns (Sunnyside, Come-By-Chance, Arnold’s Cove and Southern Harbour), refinery management, representatives from the provincial government departments of Natural Resources and Environment and Conservation, and a representative from Eastern Health. Other Representatives from the Arnold’s Cove Area Chamber of Commerce, the refinery unions and the federal government are members but attend rarely.

- The committee was formed after residents of towns surrounding the refinery began to publicly complain that emissions from the refinery were impairing their quality of life because of the unpleasant odour and appearance of smoke or haze from the refinery.

- The chair of the meeting is the most senior refinery executive present. Typically this is Vice President Alfred Efford.

- Meeting agendas usually include updates on the refinery’s environmental footprint, government permits, concerns of surrounding towns and their residents, and news from the refinery.

Environmental Issues

- A survey for air quality and land based environmental effects, the Terrestrial Effects Monitoring Survey has been undertaken by consultant Stantec. A preliminary report was completed and reviewed internally by refinery officials with clarification requested and received on particular items. This report has now been forwarded to ENVC and that Department’s review is on-going. The report is expected to be completed in October and a summary of the findings will be presented at a future meeting.

- A dispersion model is also close to completion. This study models wind and airflow patterns and how emissions are dispersed throughout the local area. The emission rates and methodology to be used in the modelling exercise have been approved by ENVC and preliminary results are now being assessed. An internal review of SO2 emissions for the years being modeled has been completed and some adjustments to calculations in the model have been made. The preliminary report is expected in October.

- Air Testing Services, a consultant retained to conduct stack testing, completed this work during the first two weeks of August. A preliminary report is expected within the next few months.
• Sikumuit Environmental Management has been awarded a contract for the 2014 Marine Environmental Effects Monitoring Survey. Field work is expected to be completed before the end of October.

• Assessment of the visual opacity of the refinery stack emissions started in the first week of July and are complete for the July-August period. Assessments will resume in October. Readings to date have all been within acceptable limits.

• Preparations are being made for the 2014 Leak Detection and Repair (LDAR) program. The survey is tentatively scheduled for October or November of 2014.

• ENVC conducted the third quarter audit of the community monitors on September 9th. All monitors passed the audit and a copy of the audit will be forwarded to the CLC.

• There was one air quality complaint since the last CLC meeting:
  ▪ On July 11th, a Sunnyside resident complained of a smell in his house. Refinery officials investigated and could detect a faint smell at the bottom of the person’s driveway. Operations staff went through its checklist and did not find anything out of the ordinary.

• There was one reportable spill since the last CLC meeting:
  ▪ On September 13th, maintenance workers were removing the bell head from exchanger unit 2001. The exchanger contained more liquid than anticipated and approximately 2000 gallons of a 40% diethanolamine solution spilled to the ground. The solution is being treated through the waste water treatment plant. Diethanolamine is an organic compound which is used in water solution primarily to remove hydrogen sulfide from sour gas in the refining process.

• Operation of the Waste Water Treatment Plant continues to meet and exceed all discharge standards under the refinery’s Certificate of Approval.

• Ongoing monitoring for ambient air quality including particulate matter and SO₂ emissions show that the refinery is within all federally and provincially mandated limits.

• In September the refinery has been averaging approximately 6.2 tonnes per day of SO₂ emissions. This figure is so low due to the refinery currently being shut down for maintenance.

Operations

• On September 4th, process units starting shutting down to complete work necessary for plant reliability prior to heading into the winter season. Major work consists mostly of piping and valve work, repairs to the Vacuum Tower (T-1104) including the installation of new ejectors, internal repairs to the Amine Tower (T-2001), as well as work on refinery fuel gas and flare systems. Approximately 70% of this work is complete and the refinery is on target to start bringing units back on line starting on September 30th. All units are expected back on line on October 10th.
• During the outage, the primary holding basin and the Oily Water Sewer separator were both de-sludged.

• Construction of the Vapor Recovery Unit (VRU) has been completed however during commissioning excessive scale was discovered in the piping system requiring it to be cleaned. It is expected that commissioning will resume during the week of September 29 and final hand over to Truck loading will take place early in October.

• On June 10th, Tank-106 was taken out of service to assess repairs to its internal floating roof. Tank-106 oil removal is on-going. As a result of Tank-106 coming out of service, plans to commence de-sludging of Tank-101 have been postponed and Tank-101 has been placed back in service.

• A tender package for upcoming work on Tank-747 and several small projects in the process units has been issued and work is expected to be completed by the end of 2014.

• Shipping activities at the Jetty and at the Truck Loading rack were significantly reduced in September due to the shutdown of the refinery. Activity is expected to return to normal in October following startup.

• For October, the refinery plans to run a mixture of primarily WTI and Vasconia crude with various proportions of Basrah and Galveston Sweet crudes. Refinery economics currently favour a ratio of approximately 70% light sweet crude and refinery officials indicated at the CLC meeting that the refinery intends to move towards 100% light sweet feedstock. Officials believe they can run a total of 105,000 - 110,000 barrels per day of light sweet crude without significant problems or reconfiguration of the refinery.

• Refinery officials also noted their intent to convert from the use of refinery fuel oil to imported butane for refining operations. This will require some new piping at the jetty but minimal reworking of the refinery itself while having a significant positive impact on economics and environmental performance.

Sale of Refinery

• On September 5th, Harvest Operations Canada announced that a tentative deal had been reached with SilverRange Financial Partners LLC to purchase North Atlantic Refining including the marketing division. The deal is expected to close by late October.

• SilverRange is a consortium of investors, some of whom have a refining background, according to refinery officials. They plan on running light, sweet crude to a much greater extent than has been past practice. Officials stated that SilverRange planned a strong capital program, however no details were available at this point. The deal also includes a sales and offtake commercial arrangement with British Petroleum (BP) whereby BP would sell feedstock to the refinery and purchase refined products from the refinery. Again, no further details were available.
• As part of the announcement of the sale, government provided an indemnity for past environmental impacts at the site to the new owners. The Mayor of Arnold's Cove, Mr. Basil Daley, stated his understanding that an environmental impact report of some type was to be completed by ENVC and that he would like to have that reported tabled at the CLC and interpreted or explained by the CLC representative of ENVC. The ENVC representative was unaware of any such report and suggested that the NR representative would be aware, as NR was the lead agency in negotiations towards the environmental indemnity.

• As part of the indemnity agreement, a site professional will undertake an environmental site assessment funded by the principals in the deal. The Minister of Natural Resources has spoken about this and it is presumably the study to which Mayor Daley is referring. Whether this assessment would be released to the CLC or the public is not clear at this time.

**Action Being Taken:**

• NR will continue to monitor issues tabled at the CLC meetings.

• Next meeting is scheduled for October 30, 2014.

Prepared / Approved by: Rob Bates
Approved by:

**September 30, 2014**
Potential copyright material

If you wish to obtain a copy please contact the ATIPP Office at (709) 729-7072 or atipoffice@gov.nl.ca.
Marshall, Andrea

From: Andrews, Wayne
Sent: Tuesday, October 28, 2014 11:06 AM
To: Marshall, Andrea
Cc: Parsons, Paul O
Subject: FW: Environment liability at NARL

Andrea;

Going through my NARL related emails since returning from vacation to see what would have not already been captured. You may or may not have seen these attachments in one form or another. Paul became involved around April month so would have been copied on most everything since then, so I will not repeat those emails. There may be one or two others from Jan to Mar that I may forward as well.

Wayne Andrews
Director of Energy Economics
(709) 729-5899

From: Bown, Charles W.
Sent: Wednesday, January 22, 2014 11:54 AM
To: Andrews, Wayne
Subject: FW: Environment liability at NARL

From: [Redacted]
Sent: Tuesday, January 21, 2014 11:49 AM
To: Bown, Charles W.
Cc: [Redacted]
Subject: Environment liability at NARL

Dear Mr. Bown,

Good morning.

Pursuant to [Redacted] request, we would like to provide you with the attached information for the ARO (Asset Retirement Obligation) of North Atlantic Refining Limited ("NARL").

Harvest has used an estimation of the environment liability...
In addition, we would like to provide you with the attached report of assessment of Health, Safety, Environmental and Operation Risk which was prepared for NARL in 2013. The assessment was conducted by Pilko which is one of the advisers Harvest hired for our process. There have been spills and releases of hydrocarbon throughout the history of the refinery but where spill have occurred, they are reported to the authorities and cleaned up immediately.

Also, please find the attached Agreement (Environmental Compliance Initiative) and waste sites, dated August 15, 1994, related to the indemnification of environmental liability before the date.

We request that this information be revealed to only those that need to be advised of same and that it be treated as “Confidential Information”.

Thank you very much.

Best regards,

Note: pages 3 - 81 have been redacted in full under s. 27(1)(b) and 27(1)(c)(i), (ii) and (iii).
SCHEDULE "1"

THIS AGREEMENT made at St. John's, in the Province of Newfoundland, this 15th day of AUGUST, 1994

BETWEEN: NEWFOUNDLAND PROCESSING LIMITED, a company organized and existing under the laws of the Province of Newfoundland, (hereinafter called "NPL")

- OF THE FIRST PART -

AND: HER MAJESTY THE QUEEN IN RIGHT OF THE PROVINCE OF NEWFOUNDLAND, as represented by the Minister of Environment and Lands and the Minister of Finance

(hereinafter called "Government")

- OF THE SECOND PART -

COMPREHENSIVE MEMORANDUM OF UNDERSTANDING

ENVIRONMENTAL MATTERS RELATING TO THE OPERATION OF

THE NEWFOUNDLAND PROCESSING LIMITED OIL REFINERY

AT COME-BY-CHANCE, NEWFOUNDLAND

(SHORT TITLE - ENVIRONMENTAL COMPLIANCE INITIATIVE)

WHEREAS NPL owns and operates the Newfoundland Processing Limited Oil Refinery at Come-By-Chance, Newfoundland (hereinafter referred to as the "Refinery");

AND WHEREAS NPL wishes to indicate to Government its commitment to a program of initiatives which will be of positive and long
lasting benefit in reducing the environmental impact of the Refinery;

AND WHEREAS NPL seeks certain assurances from Government concerning cooperation in management of environmental matters as such relate to the Refinery, both as now existing and as such matters might arise at some future time;

AND WHEREAS the parties hereto wish to confirm their mutual understanding of environmental matters at the Refinery as such exist or as might arise;

NOW THEREFORE THE PARTIES HERETO AGREE AS FOLLOWS:

Definitions

1.0 The parties hereto agree that unless otherwise defined within this Environmental Compliance Initiative, the following definitions shall apply wherever the defined terms appear.

1.1 "Accepted Industry Practice or Standard" means those practices, standards and procedures normally employed by the oil processing and refining industry in Canada.

1.2 "Activity" means any of those activities referred to in this Environmental Compliance Initiative as amended from time to time.
1.3 "Ambient Air" means outdoor air not contained within a structure or underground.

1.4 "Barrel" means 0.1589873 cubic metres, which shall for purposes of this Agreement be the equivalent of 42 U.S. gallons or 34.9722 Canadian gallons, when measured at a temperature of 60 degrees Fahrenheit.

1.5 "Emission" means air contaminants released to atmosphere.

1.6 "Environmental Compliance Initiative", or "Agreement" means the entirety of this Agreement, including all schedules and appendices hereto.

1.7 "Free Petroleum Products" means any petroleum products, whether unrefined, refined or residual, and existing in a liquid or semi-solid state, and not contained within a tank or other such vessel designed for containment of the substance.

1.8 "Government" means the Provincial Government of the Province of Newfoundland, its Ministers, elected and appointed officials, and all employees, agents and representatives of the Provincial Crown.

1.9 "Government Standards" means standards recognized by the
Government of Newfoundland and Labrador as of the signing of this Agreement, and it is further agreed that those standards are acceptable to the parties hereto.

1.10 "Solid Wastes" means garbage, refuse, sludges and other discarded materials which may include entrained hydrocarbon liquids.

1.11 "Tonne" means 1000 kilograms, equivalent to 2204.62 pounds.

2.0 **Effect of the Agreement**

2.1 The parties hereto confirm that upon this Agreement becoming effective, they will be bound to undertake the initiatives set out herein, pursuant to the terms of this Agreement and the Schedules annexed hereto.

3.0 **Sulphur Dioxide Emissions**

3.1 Upon this Agreement coming into effect, the parties hereto agree that sulphur dioxide released to the atmosphere from the Refinery will be limited pursuant to the terms of the following schedule:

<table>
<thead>
<tr>
<th>Year</th>
<th>Sulphur Dioxide Emissions</th>
</tr>
</thead>
<tbody>
<tr>
<td>First Year</td>
<td>40,000 tonnes</td>
</tr>
<tr>
<td>Second Year</td>
<td>35,000 tonnes</td>
</tr>
<tr>
<td>Third Year</td>
<td>35,000 tonnes</td>
</tr>
<tr>
<td>Fourth Year</td>
<td>30,000 tonnes</td>
</tr>
<tr>
<td>Fifth Year</td>
<td>25,000 tonnes</td>
</tr>
<tr>
<td>Sixth Year</td>
<td>25,000 tonnes</td>
</tr>
</tbody>
</table>

In the seventh and subsequent years the Refinery's sulphur
dioxide emission objective will be twelve hundred (1200) pounds of sulphur dioxide emitted to atmosphere for each one thousand (1000) barrels of feedstock processed. The parties hereto further agree that the Refinery may be given credit for achieving an annual sulphur dioxide emission level lower than that allowed by the above schedule. Should the Refinery emit less sulphur dioxide in any given year than the amount allowed for pursuant to the above Schedule, NPL will be entitled to add that difference between the amount allowed and the amount actually produced to its sulphur dioxide cap for the year immediately following, provided however, that in no circumstance will such a credit result in a net increase in sulphur dioxide emission between any year and the year following. In the event that, in any given year, the Refinery emits sulphur dioxide in a quantity lower than that allowed for the following year, the parties hereto agree that the Refinery will not be required to maintain that level through the following year, and may emit sulphur dioxide at a level up to the level contemplated by the above schedule for the year in question.

3.2 NPL will use all reasonable efforts to improve the performance of the sulphur recovery unit in accordance with Accepted Industry Practices or Standards, provided however that no incident of default shall occur in respect of this Agreement as a result of this Section 3.2.
4.0 Monitoring Program

4.1 NPL will maintain and operate all monitoring sites in accordance with Accepted Industry Practice or Standards.

4.2 NPL will develop and implement a monitoring program for such emissions as are regulated by the Air Pollution Control Regulations (1981), as amended, and which could be reasonably expected to be produced in measurable quantities by the Refinery as a result of normal operations. The monitoring program will include the establishment of a meteorological station in the general area of the Refinery. This meteorological station will measure wind speed, wind direction, and ambient air temperature, and these measurements will be considered indicative of meteorological conditions in the area affected by the Refinery. The Refinery will periodically report the results of monitoring referred to in this Section to Government, on a schedule to be established within twelve months of the effective date of this Agreement.

4.3 NPL will install and operate a fourth sulphur dioxide monitoring station at a mutually agreed site at Bull Arm, Newfoundland within twelve (12) months of the effective date of this Agreement.

4.4 NPL agrees that it may be desirable to have the ambient air
monitoring programme conducted by the Department of Environment and Lands. If Government agrees to operate the monitoring programme then NPL agrees to transfer ownership of all monitoring equipment currently in place at the time of the transfer (including spare parts, calibration equipment and data storage and transmission equipment) to the Department of Environment and Lands. Government agrees to submit to NPL for its approval an annual budget for operating the monitoring programme, setting out all reasonable costs associated with the operation and upgrading of the ambient air monitoring programme as it exists at the date of this Agreement including the additions specified in Sections 4.1, 4.2, and 4.3 of this Agreement. The annual budget submission will include a proposed schedule of payments to be made by NPL to Government. Approval of the budget will include approval of the payment schedule, and NPL agrees to fund the annually approved budget pursuant to the said schedule.

4.5 Government agrees that the monitoring equipment in use as of the date of this Agreement is satisfactory for the purpose intended, subject only to general maintenance or upgrading which may be required.

4.6 NPL agrees to develop and implement, within six (6) months of the effective date of this Agreement, a programme of long-term terrestrial effects monitoring designed to identify the
impacts of the Refinery, if any, on the surrounding terrestrial environment over and above any impact which may have already occurred as of the effective date of this Agreement.

4.7 NPL agrees to formulate and implement a community liaison programme within two (2) months of the effective date of this Agreement. This programme will involve the communities of Sunnyside, Arnold's Cove, Come By Chance, and the Bull Arm construction site (the "Communities"). The Communities, NPL, the Department of Mines and Energy, the Department of Health and the Department of Environment and Lands will be represented on the liaison committee. NPL will provide information relating to environmental matters and other matters of general interest or concern through the liaison committee. With the assistance of the committee, NPL will identify further opportunities for improved communication with the Communities. NPL agrees to assume all reasonable costs associated with the establishment and operation of the liaison committee.

5.0 **Sour Water Handling**

5.1 NPL will assess current production of sour water, and the ability of existing sour water handling facilities to deal with sour water production under normal and extraordinary operating conditions. This assessment will be completed
within three (3) months of the effective date of this Agreement.

5.2 The sour water stripper facility will be modified and expanded to accommodate all sour water produced in the Refinery on a regular basis. All sour water streams, including sour water drained from the flare header knockout drum will be routed to the sour water feed stock tanks and then to the sour water stripper for treatment prior to transfer to the waste water treatment facility. The stream will then be treated at the waste water treatment facility before being discharged from the facility. The modification and expansion of the sour water stripper facility will be completed within eighteen (18) months of the effective date of this Agreement.

5.3 NPL will treat and discharge all stockpiled sour water following modifications to the sour water stripper. Sour water storage will continue to be available to help alleviate sulphur dioxide emission problems during adverse atmospheric conditions.

5.4 Hydrogen sulphide and ammonia vapours produced from sour water stripping will be collected and fed into the sulphur recovery unit for recovery and oxidation, provided the sulphur recovery unit has available capacity. Otherwise,
hydrogen sulphide and ammonia vapours will be combusted in the sulphur plant incinerator.

5.5 At times when sulphur dioxide concentrations at the ambient air monitoring sites identified in Section 4 exceed the allowable limits, a series of stepped changes to the Refinery operation will be initiated until sulphur dioxide concentrations are within allowable limits. One of these changes will be to reduce the amount of sour water being fed to the sour water stripper, thereby reducing total feed to the sulphur recovery plant and associated sulphur dioxide emissions from the sulphur plant incinerator, until such time as sulphur dioxide levels allow sour water processing to return to maximum capacity.

6.0 **Atmospheric Venting**

6.1 NPL will identify all suspected release points that may reasonably be assumed to have a noticeable impact upon the communities from the discharge of gases to atmosphere, either as a regular or infrequent occurrence, and implement a programme to control emissions from these release points. The identification of release points will be prepared within six (6) months of the effective date of this Agreement. NPL will then take measures consistent with Accepted Industry Practice or Standards to ensure that emissions of volatile organic compounds from the Refinery are controlled. The
programme of emission reductions will be subject to further review within eighteen (18) months of the effective date of this Agreement.

7.0 Waste Management Plan

7.1 NPL will develop and implement a comprehensive waste management plan for the Refinery, within eighteen (18) months of the signing date of this Agreement. This plan will establish procedures for the on-site disposition of all waste.

7.2 NPL will continue to operate a non-hazardous waste disposal site on Refinery property under the terms and conditions of the operating Certificate of Approval bearing number WMS-87-12628.

7.3 NPL will continue to operate the existing hazardous waste disposal site on Refinery property under the terms and conditions set out in the operating Certificate of Approval bearing number WMS-87-07621, as updated by Certificate of Approval bearing number WMS-90-07621/B.

7.4 Within six (6) months of the effective date of this Agreement, NPL will identify and prepare a temporary site where oil spill related debris can be stored pending final disposal in a site and manner of NPL's choosing. Ultimate
disposal of oil spill related debris will be either in the hazardous waste disposal site on Refinery property, or in a permanent oil spill waste disposal site selected by NPL and prepared for this purpose. Decisions concerning the disposal site for oil spill related debris will be at NPL's discretion, taking into consideration the volume and nature of debris to be disposed of, and availability of space in either the hazardous waste disposal site or the dedicated oil spill debris disposal site.

7.5 NPL will operate all on-site waste disposal facilities in a manner consistent with Accepted Industry Practice or Standards.

7.6 NPL reserves the right to re-evaluate waste handling and disposal strategies at any time, and implement such other strategies, including offsite disposal, with the approval of the Department of Environment and Lands consistent with the other terms and conditions of the Agreement.

8.0 Tetra Ethyl Lead Plant

8.1 NPL will retain a consultant with demonstrated qualifications and expertise in the area of Tetra Ethyl Lead Plant ("TEL Plant") decommissioning to drain, dismantle and dispose of the TEL Plant currently located at the Refinery, in a manner consistent with Accepted Industry Practices or Standards. The
parties agree that NPL may, at its sole discretion, instruct that the decommissioned TEL Plant be disposed of in the Hazardous Waste Site on Refinery property. Decommissioning and disposal of the TEL Plant will be completed within fifteen (15) months of the effective date of this Agreement.

8.2 Notwithstanding anything contained in clause 8.1, NPL agrees to instruct its consultant to dispose of diesel fuel oil drained from the TEL Plant during decommissioning by blending it into residual fuel oil or bunker fuel oil as a cutter stock.

9.0 Waste Water Treatment

9.1 NPL will install additional facilities for the equalization of wastewater prior to its introduction into the effluent treatment plant, or take such other actions as are necessary or effective to achieve equalization of wastewater, pursuant to the Petroleum Refinery Effluent Regulations and Guidelines, 1973.

9.2 NPL will evaluate wastewater streams resulting from process water discharge and storm water discharge, and take necessary steps to provide for accurate measurement and sampling of each waste water stream.

9.3 NPL will undertake modification to the effluent outfall flume
to bring the accuracy of data generated by the flow meter at the effluent outfall within existing Government Standards pursuant to the Petroleum Refinery Effluent Regulations and Guidelines, 1973, should it be determined that the accuracy of data being generated as of the effective date of this Agreement does not comply with the Government Standards.

9.4 NPL will update the training received by all refinery operators as it relates to effluent discharge.

9.5 The Refinery will complete the items specified in Sections 9.1 through 9.4 of this Agreement within fifteen (15) months of the effective date of this Agreement.

10.0 **Free Petroleum Products Recovery - Impoundment Basin**

10.1 NPL will take such steps as it determines necessary to recover the quantity of Free Petroleum Products currently contained within the impounding basin within six (6) months of the effective date of this Agreement.

10.2 NPL will undertake any cleaning, draining and excavation work necessary to restore and maintain the impounding basin to an available storage volume at least equal to "as-built" capacity. This work is to be completed within Twelve (12) months of the effective date of this Agreement.
10.3 NPL may, subject to approval from the Department of Environment and Lands, establish a sludge neutralization facility on Refinery property to store and rehabilitate sludge removed from the impounding basin.

11.0 Oil Spill Response Activities and Procedures

11.1 NPL will conduct a maintenance review of its oil spill response plan and facilities, existing as of the effective date of this Agreement, and carry out such maintenance work as may be required to ensure that all onsite equipment is in good working order. The maintenance review and maintenance work contemplated by this section 11.1 will be completed within six (6) months of the effective date of this Agreement.

11.2 NPL will implement a regular program of training exercises for Refinery spill response crews, and schedule regular review and maintenance of all Refinery oil spill equipment.

11.3 NPL will continue participation in the working group process initiated by Canada Coast Guard pursuant to the recommendations of the Public Review Panel on Tanker Safety & Marine Spills Response Capability - Final Report (Sept. 1990).
11.4 NPL will continue participation in local and national activities relating to oil spill response capability.

12.0 Chemical Storage

12.1 NPL will provide an on-site storage area or areas for process chemicals. The storage area(s) will be suitably equipped such that spilled chemicals may be neutralized and or recovered to prevent any contamination of soil, surface water or groundwater. The on-site storage area(s) will be completed within twelve (12) months of the effective date of this Agreement.

13.0 Permits, Licences, Certificates of Approval, and Agreements

13.1 The Department of Environment and Lands will prepare and issue a consolidated operating permit which will incorporate the terms and conditions in the existing permits issued under the Department of Environment and Lands Act, and the terms and conditions contained in this Agreement.

13.2 The Government hereby confirms that, upon the execution of this Agreement, the agreement relating to sulphur dioxide entered into between Newfoundland Energy Limited and the Department of Environment in 1986, which agreement is attached to this Agreement as Schedule "A", shall become null and void, and shall be, in all respects, superseded and replaced by this Agreement.
13.3 The Government hereby confirms and acknowledges the entirety of the Agreement between the Government and NPL dated the 27th day of October, 1986 (hereinafter referred to as the "Waste Management Plan") which agreement is attached to this agreement as Schedule "B" and forms part hereof, and confirms that it continues in full force with such modifications as are necessary to give effect to the intention of the Waste Management Plan. For greater certainty, the Government confirms that, pursuant to the terms of the Waste Management Plan, it accepts responsibility to arrange the cleanup or containment of all environmental hazards which existed as a result of refinery construction and operation as of the 27th day of October, 1986, including, but not limited to, any environmental hazards which may have existed at those sites further described in Schedule "C" annexed hereto, and further acknowledges and confirms that, to the extent the Government indemnified NEL pursuant to the terms of the Waste Management Plan aforesaid, the same indemnity is hereby extended to NPL, its heirs, successors and assigns.

13.4 The Government confirms that as of the date of the signing of this Agreement there are no outstanding charges, fines, notices of violation of laws, regulations, or orders arising from environmental matters for which the Refinery may be held accountable, and that apart from the terms contained within the existing Certificates of Approval issued by Government
for the operation of the Refinery, there are no environmental compliance orders in effect which are binding on the Refinery, and the Government agrees no fact or condition exists to cause Government to issue administrative orders to NPL, its heirs, successors or assigns for waste disposal activities or emissions of any type, provided the conditions of this Agreement are adhered to. Government further confirms that all permits, licences and approvals required for operation of the Refinery as of the effective date of this Agreement are valid and acceptable to Government.

13.5 The parties hereto confirm that nothing contained within this Agreement or the Schedules annexed hereto in any way limits or defines the absolute right of Government to create or amend environmental legislation or regulations during the lifetime of this Agreement. The parties further confirm that, should new or amended legislation or regulations be promulgated during the life of this Agreement, this Agreement or any of the Schedules annexed hereto may be amended, by mutual consent, in order to give continuing effect to the terms and provisions of this Agreement.

14.0 **Government Assistance**

14.1 Subject to the terms and conditions of the Lands Act the Government agrees, at its discretion, to assist NPL, other
than financially, in obtaining grants to Crown Land for the purpose of establishing alternative ambient air monitoring sites, should such sites be required.

14.2 Subject to the terms and conditions of the Lands Act the Government agrees, at its discretion, to assist the Refinery, other than financially, in obtaining grants to Crown land should such be required for the establishment of waste disposal facilities in a location which is not on Refinery property.

14.3 If it becomes necessary for the Refinery to establish monitoring stations or disposal facilities on sites which are not currently serviced by roads or electrical power, Government agrees, at its discretion, to assist the Refinery, other than financially, in establishing all necessary infrastructure so that such facilities will be readily and reliably accessible and adequately serviced with electrical power.

14.4 Government confirms that the dispersion model commonly known as "PLUMES", and the dispersion model commonly known as "ISCST2" combined with Complex I, or alternatively, all-terrain dispersion model (ATDM), are satisfactory for use in modelling airborne emissions generated by the Refinery, and further agrees that these models can be used for the
interpretation and application of the provisions of the Air Pollution Control Regulations, 1981, as amended, and that, for the purpose of future compliance modelling, the choice of model to be used will be reasonably determined in the circumstances by NPL and as approved by the Government.

15.0 Economic Initiatives

15.1 The government agrees to provide Retail Sales Tax (RST) relief by way of remission under section 19 of the Financial Administration Act (FAA), for all capital expenditures in respect of environmental initiatives taken by NPL for the six (6) year period from the effective date of this Agreement.

15.2 Where NPL acquires directly goods and services which are a capital expenditure for an environmental initiative, it may acquire those goods and services without payment of RST to the suppliers at the time of the purchase, and shall keep records of RST payable and may apply for a remission of the RST.

15.3 Where NPL enters into a contract that is a capital expenditure for the construction, repair or improvement of real property that is an environmental initiative, the contractor shall pay the RST as required under the Act, and NPL may apply for a remission of the RST paid by the
contractor respecting goods incorporated into the real property.

15.4 An application for remission may be made not more than twice a year.

15.5 Upon verification of the amounts claimed under sub clause 15.4, Government shall issue to NPL, a refund by way of remission under the FAA of tax paid by NPL or its contractors respecting qualifying expenditures.

15.6 Except as stated herein, nothing in this clause shall be construed as relieving NPL or its contractors from any obligations under the Retail Sales Tax Act.

16.0 **Timing of Initiatives and Expenditures**

16.1 The parties hereto agree that commencement of the environmental initiatives outlined in this Agreement is contingent upon the execution of this Agreement and, where necessary, the issuance by Government of any Certificate of Approval required by the Refinery.

16.2 Oil spill response activities to be undertaken by the Refinery are further described in Schedule "D" to this Agreement.
17.0 **Parties Covered by this Agreement**

17.1 The parties hereto agree that those parties executing this document shall be covered by and shall be entitled to rely upon the provisions of this Agreement. The parties hereto further agree that to the extent to which this Agreement applies to NPL, it shall also apply to the successors and assigns of NPL, or transferees of substantially all of the assets of NPL. For greater certainty, the parties hereto agree that NPL shall have the right to unconditionally assign this Agreement, in whole or in part, including the Schedules annexed hereto, and that, upon assignment, the assignees of NPL shall acquire all of the benefits and responsibilities set out in this Agreement, as amended from time to time.

18.0 **Duration of the Agreement**

18.1 This Agreement will continue in full force and effect for a ten (10) year term. Should the Refinery cease operations temporarily, for any reason whatsoever, this Agreement will survive the cessation of operation, unless the parties hereto should unanimously decide otherwise.

19.0 **Modification of the Agreement**

19.1 This document and schedules hereto represent the entirety of the Agreement by the parties hereto, subject however to amendment or modification, with such amendments or modifications to be made in writing and agreed to in their
entirety by all parties hereto.

20.0 **Headings**

20.1 The headings of the paragraphs of this Agreement are inserted for convenience of reference only and are not intended to be part of or to affect the meaning or interpretation of this Agreement.

21.0 **Enforceability**

21.1 In the event that any of these terms, conditions or provisions shall be determined invalid, unlawful or unenforceable to any extent such term, condition or provision shall be severed from the remaining terms, conditions and provisions which shall continue to be valid to the fullest extent permitted by law.

22.0 **Law of Newfoundland to Apply**

22.1 This Agreement will be governed and interpreted pursuant to the laws of the Province of Newfoundland.

23.0 **Service**

23.1 Service of notice in respect of this Agreement may be made on any of the parties hereto personally or by forwarding the notice by registered mail to:
(a) Newfoundland Processing Limited
    2nd Floor Baine Johnston Centre
    10 Fort William Place
    P.O. Box 6296
    St. John’s, Newfoundland
    Canada
    A1C 6J9
    Attention: Vice-President

(b) Government of Newfoundland and Labrador
    Confederation Building
    P.O. Box 8700
    St. John’s, Newfoundland
    Canada
    A1B 4J6
    Attention: Minister of Finance
    or: Minister of Environment and Lands

Delivery of the notice will be deemed to have been effected upon the passage of three (3) business days following, but not including, the date of mailing.

23.2 Notice in respect of this Agreement may be effected in any manner which is mutually agreed between the parties.

IN WITNESS WHEREOF this Agreement has been executed on behalf of Newfoundland by the Minister of Environment and Lands and the Minister of Finance, and on behalf of Newfoundland Processing Limited by a signing officer duly appointed pursuant to the by-laws of and authorized to bind the corporation.

SIGNED, SEALED AND DELIVERED
By Her Majesty the Queen represented by the Minister of Environment and Lands, in the presence of:

Minister of Environment and Lands
SIGNED, SEALED AND DELIVERED
By Her Majesty the Queen represented by the Minister of Finance, in the presence of:

[Signature]

SIGNED, SEALED AND DELIVERED
By a signing officer of Newfoundland Processing Limited in the presence of:

[Signature]

NEWFOUNDLAND PROCESSING LIMITED
Per

S. 30(1)
GOVERNMENT OF NEWFOUNDLAND AND LABRADOR
DEPARTMENT OF ENVIRONMENT
P.O. Box 4750
St. John's, Newfoundland
A1C 5T7

1986.12.16

S. 30(1)

Newfoundland Energy Limited

The attached computer sheets display 1) data of the expected Refinery fuel/heater operations for the Come By Chance refinery, exclusive of the Isomax unit and 2) the results from the air pollution dispersion model, conducted by the Newfoundland Department of Environment. The results of the dispersion modelling show that when the Platformer and Naptha Hydrocarbon units are gas fired and when the remainder of the heaters are fired on residual fuel oil with a sulphur content of 4.5% (wt), then the Come By Chance refinery is in compliance with the requirements of the Air Pollution Control Regulations as outlined in the Standards for Emitted Contaminants in Schedule 2.

Newfoundland Energy Limited undertakes to not exceed the foregoing criteria. As well, to fully comply with the Air Pollution Control Regulations, a review of all air monitoring data will be undertaken by the end of 1989. Should this review indicate any shortfalls in compliance, then a negotiated compliance schedule will be put in place, taking into account the economic needs of the refinery operation. Newfoundland Energy Limited undertakes to inform the Newfoundland Department of Environment of any changes to the operating scenario outlined in the attached computer sheets and to establish that such changes will meet the requirements of the Air Pollution Control Regulations and all such requirements will be determined by using the same dispersion model as has been used in this case. The Department of Environment, for its part, undertakes not to alter the Air Pollution Control Regulations without prior consultation with Newfoundland Energy Limited and gives assurance that should any such changes require alterations to the refinery process at Come By Chance, such changes would take place in accordance with a negotiated compliance schedule which would take into account the economic needs of the refinery operation.

Please confirm that the foregoing accurately reflects our mutual understanding by signing in the place provided.

L.G. Hulett, Director
Industrial Environmental Engineering Division

Newfoundland Energy Limited

S. 30(1)
PARAMETERS FOR STACK NUMBER 6

STACK HEIGHT = 30.5 M
STACK DIAMETER = 2.290 M
GAS EXIT SPEED = 6. M/S
GAS TEMPERATURE = 550. C
EMISSION RATE = .016100 M**3/S AT REFERENCE TEMP. AND 101.325 KPA
REFERENCE TEMPERATURE = .0 C
STACK DISTANCE = 215. M FROM ORIGIN

AMBIENT TEMPERATURE = 5. C

DIFFUSION WITHIN A MIXING LAYER BENEATH AN ELEVATED VERSION INVERSION BASE AT LEVEL OF HIGHEST PLUME OR 100. M, WHICHEVER IS LARGER

TEN-METER WIND SPEEDS BETWEEN 1.0 AND 20.0 M/S IN INCREMENTS OF .5 M/S ARE EX

FLAT, ROUGH TERRAIN
(SEARCH IS PERFORMED USING EQUAL LOGARITHMIC INCREMENTS OF DISTANCE)

HEIGHT OF TREE CANOPY = 2. M
DISTANCE TO TREE CANOPY = 1500. M FROM ORIGIN

OVERALL MAXIMUM TREETOP CONCENTRATION = .354 PPM AS A .50 HOUR AVERAGE
DISTANCE OF OCCURRENCE = 1585. M
CRITICAL TEN-METER WINDSPEED = 7.0 M/S

MAXIMUM PERMISSIBLE CONCENTRATION = .500 PPM AS A .50 HOUR AVERAGE

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<tr>
<th>STACK NUMBER</th>
<th>EFFECTIVE STACK HEIGHT (M)</th>
<th>CONTRIBUTION TO OVERALL MAXIMUM (PPM)</th>
</tr>
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<td>6</td>
<td>58.</td>
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PARAMETERS FOR STACK NUMBER 1

STACK HEIGHT = 30.5 M
STACK DIAMETER = 2.440 M
GAS EXIT SPEED = 4. M/S
GAS TEMPERATURE = 377. C
EMISSION RATE = .020000 M**3/S AT REFERENCE TEMP. AND 101.325 KPA
REFERENCE TEMPERATURE = .0 C
STACK DISTANCE = 0. M FROM ORIGIN

PARAMETERS FOR STACK NUMBER 2

STACK HEIGHT = 30.5 M
STACK DIAMETER = 2.130 M
GAS EXIT SPEED = 6. M/S
GAS TEMPERATURE = 590. C
EMISSION RATE = .015000 M**3/S AT REFERENCE TEMP. AND 101.325 KPA
REFERENCE TEMPERATURE = .0 C
STACK DISTANCE = 19. M FROM ORIGIN

PARAMETERS FOR STACK NUMBER 3

STACK HEIGHT = 33.5 M
STACK DIAMETER = 3.960 M
GAS EXIT SPEED = 8. M/S
GAS TEMPERATURE = 400. C
EMISSION RATE = .093000 M**3/S AT REFERENCE TEMP. AND 101.325 KPA
REFERENCE TEMPERATURE = .0 C
STACK DISTANCE = 117. M FROM ORIGIN

PARAMETERS FOR STACK NUMBER 4

STACK HEIGHT = 30.5 M
STACK DIAMETER = 3.660 M
GAS EXIT SPEED = 8. M/S
GAS TEMPERATURE = 900. C
EMISSION RATE = .046000 M**3/S AT REFERENCE TEMP. AND 101.325 KPA
REFERENCE TEMPERATURE = .0 C
STACK DISTANCE = 136. M FROM ORIGIN

PARAMETERS FOR STACK NUMBER 5

STACK HEIGHT = 30.5 M
STACK DIAMETER = 1.980 M
GAS EXIT SPEED = 5. M/S
GAS TEMPERATURE = 840. C
EMISSION RATE = .010200 M**3/S AT REFERENCE TEMP. AND 101.325 KPA
REFERENCE TEMPERATURE = .0 C
STACK DISTANCE = 186. M FROM ORIGIN
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<th>STACK DIA.</th>
<th>OIL (#/HR)</th>
<th>GAS (#/HR)</th>
<th>EXIT GAS VOL (M³)</th>
<th>EXIT VEL. (M/S)</th>
<th>EXIT RATE VEL. (M/S)</th>
<th>VEL. EX. AIR (M/S)</th>
</tr>
</thead>
<tbody>
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<td>2.13</td>
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This Agreement made at the City of St. John's in the Province of Newfoundland this 22nd day of October, 1986.

Between: The Government of Newfoundland and Labrador (hereinafter "Government")

And Newfoundland Energy Limited, a Bermuda corporation

Whereas Newfoundland Energy Limited has proposed to acquire and re-activate either directly or through subsidiary or affiliated companies or a nominee, (hereinafter "NEL"), the Come-by-Chance Oil Refinery, as outlined in the attached proposal dated October 22nd, 1986 (the "Proposal".)

And whereas the parties hereto have entered into this Agreement to set forth their respective undertakings.

1. PROPERTY ACQUISITION

(a) Government shall acquire from Petro-Canada all the lands, interests in lands, wharves, docks, jetties, easements, liberties, privileges, rights and advantages
whatsoever owned or enjoyed by Petro-Canada, or any of its subsidiary, associated or affiliated companies heretofore used or intended to be used, directly or indirectly, in connection with the operation of the Refinery, on terms and conditions satisfactory to Government. The lands and rights referred to in this subparagraph (a) are hereinafter called the "Lands." The purchase price for the Lands shall be the sum of $1.00.

(b) Government shall acquire from the Government of Canada all the right, title and interest in the Oil Wharf and the Tug Wharf and associated water lots (hereinafter "Wharves") on terms and conditions satisfactory to Government.

(c) NEL shall purchase from Petro-Canada on terms and conditions satisfactory to NEL all the buildings, plant, machinery and equipment, including inventory and spare parts, owned by Petro-Canada or any of its subsidiary, associated or affiliated companies and situate or located upon, in or near the Lands, and heretofore used or intended to be used as or in connection with an oil refinery, directly or indirectly, on conditions satisfactory to NEL. The plant, machinery, equipment, inventory and spare parts referred to in this
subparagraph (c) are hereinafter called the "Refinery".

(d) NEL shall not, pending completion of the Rehabilitation in accordance with the Proposal, dispose of any portion of the refinery without the prior written consent of the Minister of Development & Tourism except for such parts and equipment as would normally be replaced or discarded in the process of Rehabilitation.

2. Land Grant

Government will grant to NEL title to the Lands acquired from Petro-Canada for the sum of one dollar, subject to the terms of this Agreement.

3. Refinery Rehabilitation

NEL shall carry out at its own cost a capital rehabilitation program for the Refinery as outlined in the Proposal. After purchase from Petro-Canada, Inc., and pending Rehabilitation, NEL shall undertake any necessary mothballing to prevent deterioration of the facility, in accordance with good engineering practices.

4. Wharf Rehabilitation

NEL shall carry out at its own cost a capital rehabilitation program for the Wharves as specified in the Proposal.
5. **Wharf Grant**

Government undertakes to provide to NEL a grant of title to the Wharves, on the condition that NEL shall permit use of the Wharves by other parties at the request of the Government on commercial terms provided that such use shall not affect the reasonable use of the Wharves by NEL for the purposes of carrying out the capital rehabilitation or operations at the Refinery, all as specified in the proposal.

6. **Termination**

(a) This agreement shall terminate if either party notifies the other in writing that:

(i) The parties are unable to acquire the Refinery, Lands or Wharves as set forth in clause 1 of this agreement.

(ii) NEL is unable to execute agreements and obtain approvals as set forth in paragraph 1 (ii) of the letter from Gulf Division of Cumberland Farms Inc. to Government dated 22nd October 1986.

(b) Upon the happening of any of the events of default contained in clause 7 hereof and on written demand by Government,

(i) the Lands and Wharves shall revert to Government in accordance with the terms of the grant;
(ii) any lands granted to NEL by the Government pursuant to clause 9 shall revert to the Government in accordance with the terms of the grant;

(iii) NEL shall convey the Refinery to Government for the sum of $1.00.

7. **Default**

The following shall be events of default under this Agreement:

(a) failure by NEL to comply with any of the terms or conditions of this Agreement in a material respect and failure to remedy such default following 20 days written notice of the same;

(b) NEL makes a general assignment for the benefit of its creditors or becomes subject to the provision of any bankruptcy act;

(c) failure to commence commercial production at the Refinery as specified in the Proposal, within three (3) years from the date hereof;

(d) an order is made or resolution passed for the winding-up or liquidation of NEL or NEL is stricken from the Registry of Companies in Newfoundland or its incorporating jurisdiction, other than any winding-up, liquidation (amalgamation or merger) for the purposes of
corporate re-organization, and providing that NEL
has not acted to cause such order to be cured or
to cause such action to be rescinded within twenty
(20) days of notice thereof.

(e) failure to carry on commercial production at the
Refinery for a period in excess of 3 consecutive
years.

Provided That Government shall amend any of the foregoing to
the extent required to permit NEL to finance the capital
rehabilitation program and improvements.

8. Environmental Requirements

(a) As Newfoundland Energy Limited is proposing to
restart an existing refinery they will be excluded
from any requirements for an environmental
assessment prior to commencement of refinery
operations. Newfoundland Energy Limited will be
required to meet all requirements of Government
pertaining to good environmental practices
contained in acts and regulations of Government.
Facilities satisfactory to the Government will be
installed to monitor the environment during the
operation of the Refinery.

(b) Newfoundland Energy Limited will be required to
prepare, and submit to Government for approval, a
suitable contingency plan for the safe operation
of the Refinery. This contingency plan should address all aspects of the safe handling of crude, refined products and process chemicals.

9. Waste Management Plan

Government will make a grant of Crown land of up to 16 ha for the purpose of disposing of refinery waste. Newfoundland Energy Limited will obtain approval of Government for the site selected. Newfoundland Energy Limited will bear the cost for site selection and preparation. Newfoundland Energy Limited will be responsible for operation and containment at the end of the useful life of the waste disposal site.

The Government undertakes to arrange the cleanup or containment of all environmental hazards existing at the date of this agreement, such as waste disposal sites, without cost to, or obligation by, Newfoundland Energy Limited, and to hold harmless NEL from any and all costs, liabilities or expenses arising directly or indirectly from such environmental hazards.

10. Assistance with Federal Authorities

Government will assist NEL in negotiations with Federal authorities, if requested, and in particular will assist in:

(1) Negotiations with Revenue Canada for the establishment of a customs and excise tax free zone, for the purposes of importation of
feed-stock, processing and export of refined product to non-Canadian markets.

(2) Negotiations with Environment Canada for any environmental approvals required from Federal authorities.

(3) Negotiations with Investment Canada.

(4) Negotiations with Energy, Mines and Resources Canada.

(5) Negotiations with Transport Canada.

11. **LOCAL TAXATION**

   Government will use its best efforts to ensure that municipal and school property taxes, if applicable, shall be at reasonable rates, comparable to that being paid by other industries in Newfoundland.

12. **Electrical Rates**

   (1) NEL will pay the prevailing industrial electrical rates in the Province after commencement of commercial operations. However, in the event that Newfoundland and Labrador Hydro Electric Corporation grants any user of electric power in the Province a more beneficial electrical rate in respect of an oil refinery or petro-chemical complex, the Government will ensure that a more beneficial electrical rate determined on the same
basis will be granted to NEL in respect of the Refinery.

(2) Prior to the commencement of commercial operations, Government will pay the fixed line charges for electricity supplied to NEL at Come-by-Chance. Upon the commencement of commercial operations the total paid by Government pursuant to this clause shall be repaid without interest by NEL in twenty-four equal monthly installments to be paid on the last day of each month, commencing with the month during which commercial operations begin.

13. Force Majeure

The parties hereto covenant and agree that if the performance of any of the obligations of either of the parties to this agreement set forth herein shall to any extent be prevented, restricted, delayed or interfered with by reason of:

(a) war, revolution, civil commotion, riots, acts of public enemies, blockage and embargo,

(b) strikes or lockouts,

(c) explosion, epidemic, fire, flood, freeze or acts of God,

(d) any lawful order or request or control of any governmental authority or any person purporting to act thereon,
or any other reasonable cause whatsoever of similar nature to those above enumerated beyond the reasonable control of the party, such party shall on prompt notice in writing to the other party to this agreement be excused from the performance of such obligations to the extent of and during the continuation of such prevention, restriction, delay or interference.

Upon either of the parties to this agreement asserting that an event of force majeure, as hereinbefore defined, has occurred, the onus shall be on the party so asserting to establish and demonstrate the nature, extent and duration of the prevention, restriction, delay or interference with respect to that party's performance of its obligations under this clause.

14. **Local Preference**

NEL agrees that it shall,

(a) in carrying out the capital rehabilitation program and Refinery operation as specified in the Proposal and thereafter in respect of capital expenditures, to give full opportunity to contractors, sub-contractors and persons normally resident in the Province of Newfoundland to compete for such work and give them preference subject to their being competitive in price, quality and delivery;
(b) in carrying out the capital rehabilitation program and Refinery operation as specified in the Proposal to give preference to materials originating, manufactured, produced or distributed and serviced in the Province of Newfoundland subject to their being competitive in price, quality and delivery.

15. Governing Law

This agreement shall be governed by and construed in accordance with the laws of the Province of Newfoundland.

16. Further Assurances

The parties hereto shall promptly take the necessary actions and execute such further or other documents as may from time to time be necessary to ensure that the terms, spirit and intent of this agreement shall be complied with and carried into full effect.

17. Entire Agreement

This agreement, the Land Grant, the Wharf Grant and any grant made pursuant to Clause 9 of this agreement and the Proposal annexed hereto as Schedule A, forms part of this agreement and constitutes the entire agreement between the parties hereto and none of the parties hereto is bound by any representation, warranty, promise, agreement or inducement not embodied or contained herein.
18. **Successors and Assigns**

The agreement shall be binding upon and shall enure to the benefit of the parties hereto and their respective successors and assigns and nominees provided that this agreement or any of the rights, benefits or obligations forming part hereof shall not be assigned by either party without the consent in writing of the other.

19. **Non-Waiver**

No delay or omission of the Government to exercise any right or power accruing upon any default under this Indenture by the Company shall be a waiver of any such default or an acquiescence therein and every power and remedy given by this Indenture to the Government may be exercised from time to time and as often as may be deemed expedient.

20. **Notice**

(1) Any notice required to be given under this Indenture shall be sufficiently served

(a) on the Government if the notice is addressed to the Honourable the Minister of Development & Tourism, Confederation Building, St. John's, Newfoundland and delivered personally or sent to him by registered mail;

(b) on the NEL, if the notice is addressed to NEL, c/o Stirling Ryan at the Royal Trust
Building, St. John's, Newfoundland and
delivered personally or sent to it by
registered mail.

(2) The address of a party to this agreement for
notice may be changed by notice given in the
manner prescribed in subsection (1) of this clause.

IN WITNESS WHEREOF, the parties have executed this
agreement this 27th day of October, 1986.

Witness:

Signed on Behalf of the
Government of Newfoundland
and Labrador

A. Brian Peckford, P.C., M.H.A.

Signed on behalf of
Newfoundland Energy Limited

President of Newfoundland
Energy Limited

1230U
SITES OF KNOWN OR POTENTIAL ENVIRONMENTAL HAZARDS
EXISTING AT THE REFINERY
AS OF THE 27TH DAY OF OCTOBER, 1986

Site No. 1

Mill Building (existing site) -
Department of Environment and Lands
Drawing No. 93268-101-A-RO

Tank Farm Disposal Site

Department of Environment and Lands
Drawing No. 93268-102-A-RO

Waste Disposal Site

Department of Environment and Lands
Drawing No. 93268-103-A-RO
## OIL SPILL RESPONSE ACTIVITIES

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<th>COME BY CHANCE REFINERY</th>
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<td>Check access to storage sheds and verify equipment location</td>
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</tr>
<tr>
<td>Start skimmers and related equipment to verify operational status</td>
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<tr>
<td>Full spill exercise with booms deployed (at refinery site)</td>
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Discussion with the NL Government:
Potential Acquisition of North Atlantic Refining Limited

Overview and Operating Plan

February 24, 2014
Tank and CapEx Program
June, 2014

Capital planning for CA
Clarification and Discussion
June 13, 2014