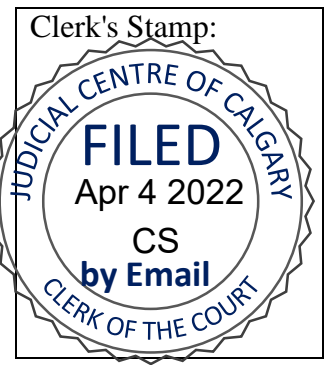


ESTATE NUMBERS 25-2802560

Entered



COURT COURT OF QUEEN'S BENCH OF ALBERTA

JUDICIAL CENTRE CALGARY

IN THE MATTER OF THE *BANKRUPTCY AND INSOLVENCY ACT*, RSC 1985, C B-3, AS AMENDED

AND IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF VERTEX DOWNHOLE LTD.

DOCUMENT **AFFIDAVIT NO. 2 OF CRAIG FLINT**

ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTIES FILING THIS DOCUMENT
Burnet, Duckworth & Palmer LLP
2400, 525 - 8 Avenue SW
Calgary, Alberta T2P 1G1

Lawyer: David LeGeyt / Ryan Algar
Phone Number: (403) 260-0120/ 0126
Fax:(403) 260-0332
Email: dlegeyt@bdplaw.com / ralgar@bdplaw.com
File No. 74909-14

AFFIDAVIT NO. 2 OF CRAIG FLINT

Sworn April 4, 2022

I, Craig Flint of the City of Calgary in the Province of Alberta, SWEAR AND SAY THAT:

- 1. I am the Chief Financial Officer of the Applicant, Vertex Downhole Ltd. ("**Vertex**" or the "**Applicant**"). As such, I have personal knowledge of the facts and matters deposed to herein, except where any such facts and matters are stated to be from other sources, in which case I believe those facts and matters to be true.

2. I swear this Affidavit in support of Vertex's Application scheduled for April 14, 2022 (the "**Application**") seeking, among other things, the Stay Extension to the Proposal Period and an amendment to the SISP (each as defined below).
3. This is my second Affidavit sworn in these proceedings. Capitalized terms not otherwise defined herein have the meaning set forth in my first Affidavit sworn February 22, 2022 or the First Report of MNP Ltd. in its capacity as the proposal trustee of Vertex (the "**Proposal Trustee**").

Background

4. Vertex is a Canadian Controlled Private Corporation incorporated pursuant to the laws of Alberta, with its registered offices in Calgary, Alberta.
5. Vertex is widely held by seventy-five Vertex Shareholders. The largest holding of the issued and outstanding shares by a single Vertex Shareholder is 11.1%.
6. In turn, Vertex is the sole shareholder of:
 - (a) HPC Energy Services Holdings (USA) Inc. ("**HPC Energy**"), a Delaware corporation; which is the sole shareholder of:
 - (b) HPC Energy Services Subsidiary (USA) Inc. ("**HPC Subsidiary**"), a Delaware corporation; which is the sole shareholder of
 - (c) Vertex Downhole Inc; a Delaware corporation ("**Vertex US**"),(collectively, the "**Vertex Group**").
7. Vertex is an integrated oil and gas service company that provides technologically advanced and patented "measurement while drilling" downhole tools to global companies engaged in oil and natural gas exploration. Over the past 12 months, Vertex tools have been utilized in 12 different countries.
8. Vertex US provides rentals, sales support, and services to Vertex's US-based customers.

9. Vertex has 23 full-time employees working out of its offices in Calgary, Alberta while Vertex US has 7 full-time employees working out of its office in Tomball, Texas. Vertex has entered into a Non-Exclusive Sales Representation Agreement with an unrelated company registered in Dubai, Vertex Downhole Trading LLC (the "**Sales Representative**"). The Sales Representative provides services and parts to Vertex customers and by renting Vertex equipment and making contact with potential customers and submitting bids in the Middle East and northern Africa regions.

NOI and Creditors

10. On February 4, 2022, Vertex filed a Notice of Intention to Make a Proposal (the "**NOI**") with the Official Receiver pursuant to section 50.4(1) of the *BIA*.
11. As of the date of the filing of the NOI, Vertex's books and records indicated that it owes HSBC approximately \$8,519,828 and its unsecured creditors approximately \$1,076,897.
12. On March 4, 2022, Vertex sought and obtained Orders granted by Justice K.M. Horner which, among other things:
 - (a) extended the period of time (the "**Proposal Period**") within which Vertex was required to file a proposal to its creditors (a "**Proposal**") to April 18, 2022 (the "**First Stay Extension**");
 - (b) granted the Administration Charge in favour of the Administrative Professionals; and
 - (c) authorized Vertex and the Proposal Trustee to implement the Sales and Investment Solicitation Process (the "**SISP**") pursuant to the terms of the Order (the "**SISP Order**").

Stay Extension and Restructuring Efforts

13. From and after the date of the First Stay Extension, Vertex has pursued numerous activities with a view to advancing these proceedings, restructuring its affairs, and working towards its goal of presenting a Proposal. These steps have included, but are not limited to:
- (a) preparing and analyzing a list of creditors and identifying issues specific to certain creditors;
 - (b) providing the Proposal Trustee with access to Vertex's books and records;
 - (c) collaborating with the Proposal Trustee to implement the SISP, which has included assisting the Proposal Trustee with the preparation of the SISP teaser documentation, confidential information memorandum, confidentiality agreement, letter of intent, and other SISP related matters;
 - (d) preparing an Asset Sale Agreement, with the assistance of Vertex's counsel, the Proposal Trustee, and the Proposal Trustee's counsel, to be posted in the SISP data room;
 - (e) continuing to work with its counsel, the Proposal Trustee and the Proposal Trustee's counsel generally, and in particular with respect to:
 - (i) exploring and considering the various exit strategies available to Vertex in the context of these proceedings, including the structure and financing of any Proposal; and
 - (ii) preparing cash flow projections and identifying issues with respect to Vertex's financial condition; and
 - (f) continuing to communicate and engage with stakeholders, including HSBC, employees, contractors, vendors;
 - (g) continuing to make sales and carry on business in the normal course, in the circumstances; and

- (h) continuing to review its operating expenses, pursuing the collection of accounts receivables and taking other steps to ensure Vertex remains financially viable without recourse to interim financing during the NOI Proceedings.
14. Vertex requires an extension of the Proposal Period up to and including May 30, 2022 (the "**Stay Extension**"). The Stay Extension will allow Vertex to, among other things:
- (a) continue the restructuring of its business and affairs, and pursue strategic alternatives;
 - (b) continue implementing the SISP, which is anticipated to include reaching the Phase 1 bid deadline of April 21, 2022, and thereafter potentially advancing to Phase 2 of the SISP;
 - (c) continue operations and generate revenue; and
 - (d) preserve and enhance the value of Vertex's business, for the benefit of all of Vertex's stakeholders.
15. Vertex's creditors will not be prejudiced by the Stay Extension. Rather, the Stay Extension is critical to ensure that Vertex can continue its operations and commence the SISP, maximizing the value of its assets which will benefit its Proposal or restructuring to the benefit of Vertex and all of its stakeholders.

SISP Amendment

16. Following the granting of the SISP Order, the Proposal Trustee and MNP commenced the SISP. MNP has requested that Vertex make the following underlined addition to paragraph 19 of the SISP (the "**SISP Amendment**"):

The Proposal Trustee and its respective professionals and advisors are not responsible for, and shall have no liability with respect to, any information obtained by any Potential Bidder. The Proposal Trustee, the Company and their respective advisors do not make any representations or warranties whatsoever as to the information or the materials provided, including as to the accuracy of same. Without restricting the foregoing, the Proposal

Trustee shall have no liability whatsoever to any Person, including without limitation any Potential Bidder or Qualified Bidder, or any other creditor or other stakeholder of Vertex, for any act or omission related to the process contemplated by these SISP Procedures or any actions taken by any Person relating to the Transaction, except to the extent that such act or omission is the result of gross negligence or willful misconduct on the part of the Proposal Trustee. By submitting a Bid, each Potential Bidder and Qualified Bidder shall be deemed to have agreed that it has no claim against the Proposal Trustee for any reason whatsoever, except to the extent such claim is the result of gross negligence or willful misconduct on the part of the Proposal Trustee.

17. Vertex has agreed to seek the foregoing SISP Amendment and is in agreement with it.

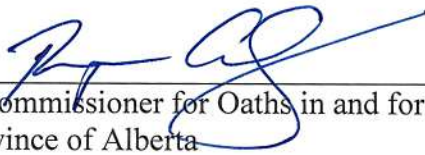
Relief Sought

18. Vertex has acted in good faith and with due diligence in filing the NOI and will continue to do so throughout the course of these proceedings. To the best of my knowledge, information and belief, none of the creditors of Vertex will be materially prejudiced if this Honourable Court grants the relief sought.

19. I make this Affidavit in support of Vertex's Application for an Order extending Proposal Period, to amend the SISP as set out above, and for no improper purpose.

SWORN BEFORE ME at the City of
Calgary, in the Province of Alberta this 4th
day of April, 2022

)
)
)
)



A Commissioner for Oaths in and for the
Province of Alberta

Ryan E. Algar
Barrister and Solicitor



CRAIG FLINT