



Grant Thornton

COURT FILE NUMBER **25 – 2655526**

COURT **COURT OF QUEEN'S BENCH OF ALBERTA**

JUDICIAL CENTRE **CALGARY**

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

DOCUMENT **FIRST REPORT OF THE PROPOSAL TRUSTEE
FEBRUARY 25, 2022**

ADDRESS FOR SERVICE AND
CONTACT INFORMATION OF
PARTY FILING THIS DOCUMENT

PROPOSAL TRUSTEE

Grant Thornton Limited
1100, 322 – 6th Street SW
Calgary, Alberta
T2P 0B2

Attention Andrew Basi / Jason Knight
Telephone (403) 296-2992/ (403) 260-2494
Facsimile: (403) 260-2571
Email: Andrew.Basi@ca.gt.com /
 Jason.Knight@ca.gt.com

TRUSTEE'S COUNSEL

Cassels Brock & Blackwell LLP
3810, Bankers Hall West
888 3rd Street SW
Calgary, AB T2P 5C5

Attention Jeffrey Oliver
Telephone (403) 351-2921
Facsimile (403) 648-1151
Email: joliver@cassels.com

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INTRODUCTION

1. On February 4, 2022 (the “**Filing Date**”), Vertex Downhole Ltd. (“**Vertex**” or, the “**Company**”) filed with the Office of the Superintendent of Bankruptcy (the “**OSB**”) a Notice of Intention to Make a Proposal (“**NOI**”), pursuant to section 50.4(1) of the *Bankruptcy and Insolvency Act* R.S.C. 1985, c. B-3, as amended (“**BIA**”). Grant Thornton Limited (“**GTL**”), a Licensed Insolvency Trustee, consented to act as the trustee (in such capacity, the “**Proposal Trustee**”) in the NOI proceedings (the “**Proceedings**”).
2. The affidavit of Craig Flint (“**Mr. Flint**”), Chief Financial Officer sworn on February 22, 2022 (the “**Flint Affidavit**”) and filed in connection with the Proceedings describes, *inter alia*, the Company’s background and provides information in support of the Company’s application in these Proceedings.

PURPOSE OF THIS FIRST REPORT

3. The purpose of this report (“**First Report**”) is to provide the Court of Queen’s Bench of Alberta (the “**Court**”) with further information related to the relief sought by the Company. This First Report specifically provides information on:
 - (a) the Company, its financial position, and the reasons for it filing the NOI;
 - (b) the Proposal Trustee’s activities conducted since the Filing Date;
 - (c) the Company’s activities conducted since the Filing Date;
 - (d) the Proposal Trustee’s comments and report on the Company’s cash flow projection for the period commencing on the Filing Date and ending May 13, 2022 (the “**Cash Flow Statement**”);
 - (e) Vertex’s application for an Order (the “**Extension Order**”):
 - (i) extending the period in which Vertex can make a proposal to its creditors and the stay of proceedings to April 18, 2022 (the “**Stay Extension**”);

- (ii) granting the Administrative Professionals (as defined herein) a first priority charge (the “**Administration Charge**”) on all of Vertex's present and after-acquired property in the amount of \$200,000; and
- (iii) substituting MNP Ltd. (“**MNP**”) in the place of GTL to act as the Proposal Trustee in these Proceedings;
- (f) Vertex’s application for an Order (the “**SISP Order**”) authorizing Vertex and the Proposal Trustee to implement the Sales and Investment Solicitation Process (the “**SISP**”); and
- (g) the Proposal Trustee’s application seeking this Court’s approval of the Proposal Trustee’s activities, conduct and professional fees, including the professional fees of its legal counsel, as outlined in the First Report.

RESTRICTIONS AND LIMITATIONS OF THIS FIRST REPORT

4. In preparing the First Report, the Proposal Trustee has relied upon unaudited financial information, the Company’s records, financial information and projections, and discussions with the Company’s management. While the Proposal Trustee reviewed various documents provided by the Company and believes that the information therein provides a fair summary of the transactions and material, as reflected in the documents, such work does not constitute an audit or verification of such information for accuracy, completeness or compliance with Generally Accepted Accounting Principles (“**GAAP**”), International Financial Reporting Standards (“**IFRS**”), or Generally Accepted Auditing Standards (“**GAAS**”). Accordingly, the Proposal Trustee expresses no opinion or other form of assurance pursuant to GAAP, IFRS, or GAAS with respect to such information.
5. Some of the information used in preparing the First Report consists of financial projections, including the Cash Flow Statement. The Proposal Trustee cautions that these projections are based upon assumptions about future events and conditions that are not ascertainable. The Company’s actual results may vary from the Cash Flow Statement, even if the hypothetical and probable assumptions contained therein materialize, and the variations could be significant. The

Proposal Trustee's review of the future-oriented information used to prepare the First Report did not constitute an audit of such information under GAAP, IFRS, or GAAS. The Proposal Trustee's review and commentary of the Cash Flow Statement was performed in accordance with the requirements set out in the Canadian Association of Insolvency and Restructuring Professionals' Standards of Professional Practice No. 9 (Proposal Trustee's Report on Cash Flow Statement).

6. To date, nothing has come to the Proposal Trustee's attention that would cause it to question the reasonableness of the information and explanations provided to it by the Company and its management. The Proposal Trustee has requested that management bring to its attention any significant matters which were not addressed in the course of the Proposal Trustee's specific inquiries. Accordingly, the First Report is based on the information (financial or otherwise) made available to the Proposal Trustee by the Company.
7. The First Report has been prepared for the use of this Court and the Company's stakeholders as general information relating to the Company and to assist the Court in determining whether to grant the relief sought by the Company. Accordingly, the reader is cautioned that the First Report may not be appropriate for any other purpose. The Proposal Trustee will not assume responsibility or liability for losses incurred by the reader as a result of the circulation, publication, reproduction or use of this First Report contrary to the provisions of this paragraph.
8. All references to dollars are in Canadian currency unless otherwise noted.
9. This First Report, and all other relevant documents pertaining to these Proceedings are available on the Proposal Trustee's website at: www.GrantThornton.ca/VertexDownhole.

COMPANY BACKGROUND

10. Vertex Downhole Ltd. is a privately held oil and gas service company. The Company was incorporated on March 27, 2015 under the *Business Corporations Act* (Alberta) and commenced operations on April 1, 2015. The registered and head office of the Company is 10911 – 50 Street S.E., Calgary, Alberta.

11. Vertex primarily designs, develops, sells, and rents drilling and other downhole tools for use in the oil and gas exploration industry. The Company currently employs 28 individuals in Canada and seven individuals in the United States.
12. Vertex has the following three wholly-owned subsidiaries (collectively, the “**Subsidiaries**”):
 - (a) HPC Energy Services Holdings (USA), Inc.;
 - (b) HPC Energy Services Subsidiary (USA), Inc.; and
 - (c) Vertex Downhole, Inc. (“**Vertex US**”).
13. The declaration of the COVID-19 global pandemic in March 2020 has impacted the Company's business operations through reduced sales, as a result of global decline in oil and gas prices, the resulting decline in exploration activities, and delays and disruptions in the supply chain. These factors cumulatively resulted in increased liquidity risk to the Company. The situation challenged the Company's ability to enter into customer contracts in a timely manner, and negatively impacted the Company's business and operational results.
14. As a result of the financial challenges faced by the Company, on January 26, 2022, HSBC Canada (“**HSBC**”), the Company's largest secured creditor, issued a demand letter with an accompanying Notice of Intention to Enforce Security (“**10-Day Notice**”) pursuant to section 244 of the BIA. Pursuant to the 10-Day Notice, the 10-day period pursuant to section 244 was set to expire on February 5, 2022. As the Company was unable to negotiate any agreement with HSBC prior to that date, the Company determined that an NOI filing was necessary to restructure the business and make a Proposal to its creditors.

FINANCIAL POSITION OF THE COMPANY

15. The Proposal Trustee has reviewed Vertex's year-to-date (“**YTD**”) internal financial information for the 11 months ending November 30, 2021 and the comparable results for November 30, 2020. For the YTD periods ending November 30, 2020 and November 30, 2021, the Company generated

operating losses of \$6,077,000 and \$3,976,000, respectively¹. Summary YTD financial results for the 11 months ending November 30, 2020 and November 30, 2021 are included in the table below:

For the 11 Months Ending (In 000's)	November 30, 2021	November 30, 2020	Change
Revenue	\$ 7,853	\$ 11,939	\$ (4,086)
Cost of Goods Sold	5,497	10,514	5,017
Gross Profit	2,356	1,425	931
Operating Expenses	6,332	7,502	1,170
Operating Loss	\$ (3,976)	\$ (6,077)	\$ 2,101

Creditor Claims

16. As a result of the continued losses, Vertex has accumulated significant unsecured and secured liabilities in order to support operations.
17. As listed in Vertex's filed NOI, as at the Filing Date, the Company had total liabilities of \$9,596,726, including amounts due to the following:
 - (a) HSBC – \$8,519,828;
 - (b) trade accounts payable – \$1,075,891; and
 - (c) employee obligations – \$1,007.

Secured Creditors

18. The amount owing to HSBC relates to the following two (2) credit facilities provided to the Company and guaranteed by the Subsidiaries:
 - (a) an operating loan facility (the "**Operating Loan**") and a MasterCard facility in the amount of \$6,500,000, pursuant to a loan agreement dated February 13, 2019, as extended and amended pursuant to amending agreements dated November 26, 2019, May 8, 2020, and September 23, 2021; and

¹ The calculation of "Operating Loss" excludes current income taxes, deferred income taxes, and currency translation differences, as reported on the Company's internal financial statements.

- (b) a non-revolving demand loan facility in the amount of \$3,000,000 granted through the Business Credit Availability Program (“**BCAP**”) pursuant to a loan agreement dated September 21, 2020, as extended and amended pursuant to an amending agreement dated September 20, 2021
- (collectively, the “**HSBC Credit Facilities**”).

Company Assets

19. The Proposal Trustee notes that the Company’s assets consist of, among other things, the following items, with the below noted book values as at November 30, 2021:

Asset	Book Value as at November 30, 2021
Cash	\$ 47,336
Accounts Receivable	2,977,974
Inventory	7,420,192
Prepaid Expenses & Other Assets	223,078
Assets Held for Sale	-
Property and Equipment	468,873
Right of Use Asset	608,209
Rental Assets	5,495,515
Intangible Assets	1,255,845
Total	\$ 18,497,022

20. The Flint Affidavit provides further details of the Company’s business, its financial performance, and its obligations

OVERVIEW OF THE PROPOSAL TRUSTEE’S ACTIVITIES

21. The Proposal Trustee has performed the following key activities:
- (a) on-going meetings with management and members of the board to discuss options available, implications of each option, and process and implications to the business;
- (b) filing the necessary prescribed forms required under the BIA for the NOI;

- (c) issuing the required notice under section 50.4(6) of the BIA to all known creditors of Vertex;
- (d) pursuant to section 90(1) of the BIA General Rules C.R.C., c. 368 (the “**BIA General Rules**”), the Proposal Trustee has filed documents referenced in subsections (e) through (h) of the BIA General Rules with this Court;
- (e) monitoring the affairs of the business including reviewing financial information and corresponding and holding numerous discussions with management and Vertex’s restructuring counsel, Burnet, Duckworth & Palmer LLP (“**BD&P**”);
- (f) engaging Cassels Brock & Blackwell LLP as legal counsel to the Proposal Trustee;
- (g) corresponding and holding numerous discussions with various stakeholders and/or respective legal counsel to stakeholders;
- (h) responding to calls and emails from creditors, suppliers, customers, and other stakeholders;
- (i) assisting the Company in preparing a communication plan to be distributed to various stakeholders of the Company;
- (j) assisting the Company in its development of a Confidential Information Memorandum;
- (k) maintaining a public website (www.GrantThornton.ca/VertexDownhole) (the “**Case Website**”) for these Proceedings;
- (l) preparing this First Report; and
- (m) assisting the Company in preparing the Cash Flow Statement for the period from the Filing Date to May 13, 2022, along with the prescribed forms, in order to satisfy section 50.4(2)(a) of the BIA.

ACTIVITIES OF THE COMPANY

22. Since the Filing Date, the Company’s activities have included, among other things:

- (a) continuing its efforts to improve the operations of the business;

- (b) communicating with various stakeholders and creditors regarding the Proceedings, in consultation with the Proposal Trustee;
- (c) corresponding with its legal counsel, BD&P, and the Proposal Trustee;
- (d) ongoing communications with certain creditors and/or their advisors;
- (e) reporting to the Proposal Trustee on a weekly basis in respect of the Company's receipts and disbursements;
- (f) working with its legal counsel, HSBC, and MNP (HSBC's financial advisor), and their advisors to develop and negotiate the SISP;
- (g) working with the Proposal Trustee in preparing the Cash Flow Statement; and
- (h) with the assistance of the Proposal Trustee, distributing notices and frequently asked questions to all employees as well as every known creditor.

THE CASH FLOW STATEMENT

23. As stated above, in order to satisfy section 50.4(2)(a) of the BIA, the Company prepared the Cash Flow Statement, on a weekly basis, for the period from the Filing Date to May 13, 2022 (the "**Cash Flow Period**"). As noted above, the Cash Flow Statement together with the Company's Report on the Cash Flow Statement dated February 14, 2022 and the Proposal Trustee's Report on the Cash Flow Statement dated February 14, 2022, are collectively attached hereto as **Appendix "1"**. The Cash Flow Statement has been prepared by management using probable and hypothetical assumptions (the "**Probable and Hypothetical Assumptions**") set out therein.
24. The Proposal Trustee makes the following comments on the Cash Flow Statement
- (a) the Company had a cash balance equivalent to \$102,587 CAD in its USD account with HSBC as at the Filing Date. The Operating Loan balance as at the Filing Date was approximately \$5,636,588. For the purposes of the Cash Flow Statement, and to more clearly present changes in the Company's cash position during the Cash Flow Period, the Operating Loan balance at the commencement of the proceedings has not been included

in the opening cash. Any further funding projected to be required from HSBC by the Company during the Cash Flow Period is reflected in the line item titled “**Funding Request**” on the Cash Flow Statement;

- (b) the Company is in ongoing discussions with HSBC regarding the Funding Request and the Cash Flow Statement assumes the support of HSBC during the Cash Flow Period;
- (c) receipts in the Cash Flow Period include a projected \$691,792 in amounts repatriated from Vertex US, a wholly-owned subsidiary. Vertex US rents equipment manufactured by the Company to US customers and provides servicing and part sales for the equipment. Excess cash flows for Vertex US are transferred to the Company as available. The Proposal Trustee has reviewed projected cash flows for Vertex US and the assumptions driving the projected transfers to the Company during the Cash Flow Period;
- (d) the Company has forecasted receipts of \$269,349 from the Hardest-Hit Business Recovery Program (“**HHBRP**”). On January 17, 2022, the Company filed an application for \$60,504 of funding under the HHBRP that is currently subject to a 45-day review by Canada Revenue Agency. The Cash Flow Statement assumes that:
 - (i) this will be received at the end of the 45-day review period; and
 - (ii) further funding under the HHBRP will be received approximately 5 business days following submission of the documentation required to the CRA;
- (e) operational expenditures in the week-ending February 11, 2022 includes payments totaling approximately \$1,007 to six employees for pre-filing amounts owed, relating to expense reimbursements. The payments are necessary to ensure critical employee goodwill during the Cash Flow Period; and
- (f) operational expenditures in the week-ending February 11, 2022 includes payments totaling approximately \$14,736 to a key supplier for pre-filing amounts owed, relating to IT management services. The payments are necessary to ensure continued operations during the Cash Flow Period.

25. The Proposal Trustee's review of the Cash Flow Statement consisted of inquiries, analytical procedures and discussions related to information supplied to the Proposal Trustee by management of Vertex. Since hypothetical assumptions need not be supported, the Proposal Trustee's procedures with respect to such assumptions were limited to evaluating whether they were consistent with the purpose of the Cash Flow Statement. The Proposal Trustee has also reviewed the support provided by management for the probable assumptions and the preparation and presentation of the Cash Flow Statement. Based on the Proposal Trustee's review, nothing has come to its attention that causes it to believe that, in all material respects:
- (a) the Probable and Hypothetical Assumptions are not consistent with the purpose of the Cash Flow Statement;
 - (b) as at the date of this First Report, the Probable and Hypothetical Assumptions developed by management are not suitably supported and consistent with the Company's plans or do not provide a reasonable basis for the Cash Flow Statement, given the Probable and Hypothetical Assumptions; or
 - (c) the Cash Flow Statement does not reflect the Probable and Hypothetical Assumptions.

PERFORMANCE AGAINST THE CASH FLOW STATEMENT

26. In accordance with section 50.4(7)(b)(ii) of the BIA, the Proposal Trustee has continued to review and evaluate the state of the Company's business and financial affairs since the Filing Date.
27. The Company has remained current in respect of its obligations that have arisen since the Filing Date.
28. A review process has been established with the Company to review weekly cash variances. A comparison of Vertex's receipts and disbursements to the Cash Flow Statement for the period of February 4, 2022 to February 18, 2022 (the "**Post-Filing Reporting Period**") is attached hereto as **Appendix "2"**.

Proposal Trustee's Comments

29. For the Post-Filing Reporting Period, total cash receipts were \$194,331, approximately \$38,112 **more** than forecasted in the Cash Flow Statement. The favourable variance is largely attributable to timing differences, as outlined below:
- (a) repatriation of amounts from Vertex US was \$22,928 higher than anticipated due to several customer payments being received by Vertex US earlier than projected, allowing for additional funds to be transferred; and
 - (b) HHBRP claims:
 - (i) \$32,280 was received during the Post-Filing Reporting Period for a claim relating to wages, originally projected to be received in week-ending February 25, 2022; and
 - (ii) \$14,470 projected to be received during the Post-Filing Reporting Period for a claim relating to rent has not yet been received.
30. Additionally, the Proposal Trustee understands a customer payment of approximately \$107,000 USD that should have been paid directly to the Company was paid into the bank account of Vertex US on February 18, 2022. Vertex US is outside of these Proceedings and its bank accounts are not included in the Proposal Trustee's analysis of cash variances. The amount was transferred to the Company subsequent to the Post-Filing Reporting Period and will be reflected in future reporting.
31. The Cash Flow Statement projected total disbursements of \$361,856 for the Post-Filing Reporting Period. Actual disbursements for the Post-Filing Reporting Period totaled \$272,661 resulting in a favourable variance of \$89,195. The favourable variance in disbursements is due to timing differences, as outlined below:
- (a) vendor payments:
 - (i) approximately \$82,700 projected to be paid in the Post-Filing Reporting Period have yet to be paid due to delays in the delivery of the purchased inventory;

- (ii) approximately \$27,567 projected to be paid in week-ending February 25, 2022 was paid in the Post-Filing Reporting Period to a vendor relating to inventory delivered earlier than estimated; and
 - (iii) approximately \$11,829 in outstanding cheques cleared during the Post-Filing Reporting Period that were not included in the Cash Flow Statement. The payments were necessary to ensure continued operations during the Cash Flow Period.
- (b) legal counsel fees of \$40,000 and rent of \$1,661, projected to be paid in the Post-Filing Reporting Period, cleared the Company's bank account on February 21, 2022.

EVENTS LEADING TO GTL ACCEPTING THE APPOINTMENT AS PROPOSAL TRUSTEE

32. In the afternoon on February 1, 2022, GTL was initially contacted by Mr. Flint to discuss to challenges faced by the Company and the potential alternatives available to it.
33. On February 2, 2022, GTL convened a call with Mr. Flint, Mr. Raulie Pederson ("**Mr. Pederson**"), and Ms. Alison Cowie, the Chief Executive Officer and Controller of the Company, respectively (collectively, "**Management**"), to discuss the options available to the Company. During the call, the Company advised GTL that, among other things:
- (a) on November 27, 2021, the Company became aware that HSBC had engaged MNP as its financial advisor (in such capacity, the "**Financial Advisor**") to, among other things, prepare a report on the viability of the Company. The Company further advised that MNP began substantially performing their review in January 2022, however, to the Company's knowledge, it had not issued a report to HSBC;
 - (b) HSBC issued a demand letter, including the 10-Day Notice, whereby the 10-day period pursuant to section 244 of the BIA expired on February 5, 2022;
 - (c) the relationship between HSBC and the Company had deteriorated over the past six months; and

- (d) as the possibility of a consensual restructuring appeared unlikely, the Company's board of directors (the "**Board of Directors**") were considering filing an NOI to provide for a statutory stay of proceedings to allow for time to restructure the Company;
34. In addition to advising of the options available to the Company, GTL strongly recommended that the Company advise HSBC of its intention to file an NOI rather than filing same with no notice. GTL informed Management that it would not accept a mandate as Proposal Trustee without the Company first discussing the filing with HSBC. GTL further advised that, based on its experience, HSBC's support would be required to complete a successful restructuring and that filing the NOI with no notice would result in a further deterioration of the relationship between HSBC and the Company. At the end of the call, Management advised that it would discuss GTL's suggested course of action with its Board of Directors.
35. On February 3, 2022, Mr. Flint advised GTL that the Board of Directors requested GTL file the NOI without notifying HSBC of same and requested that GTL discuss same with Mr. Wally Hunter ("**Mr. Hunter**"), a member of the Board of Directors. In response, GTL advised that it would be pleased to discuss this issue with Mr. Hunter, however, GTL further reiterated that GTL was not prepared to accept the engagement without first discussing the engagement with HSBC.
36. During the evening of February 3, 2022, GTL convened a call with Mr. Hunter to discuss the benefits of advising HSBC of the NOI before its filing. During the call, GTL reiterated that a discussion with HSBC would have to occur before GTL consented to the role of Proposal Trustee. At the end of the call, Mr. Hunter advised that the Company would consider GTL's advice and reconvene accordingly.

February 4, 2022 (NOI Filing Date)

37. On February 4, 2022, GTL received an email from Mr. Flint, on behalf of the Company, authorizing GTL to contact HSBC to:
- (a) communicate that the Company's preference was to negotiate and enter into a forbearance agreement which would allow Vertex to develop a restructuring plan; and

- (b) advise that if HSBC was unwilling to discuss a forbearance agreement, the Company would file an NOI and name GTL as the Proposal Trustee.
38. GTL convened a call with HSBC to discuss the situation and the Company's proposed next steps. At the end of the call, HSBC advised GTL that it required some time to consider its options before providing its consent that it was comfortable with the Company filing an NOI and naming GTL to act as the Proposal Trustee. Given that the 10-day period expired at 11:59 pm MST on Saturday, February 5, 2022, GTL reiterated the urgency of this matter.
39. Subsequent to the initial call, HSBC advised GTL that HSBC did not have an objection with GTL acting as the Proposal Trustee, however, HSBC wanted their counsel, Fasken Martineau DuMoulin LLP ("**Fasken**"), to discuss some potential alternative options with the Company's counsel, BD&P prior to an NOI being filed. This included potentially having the Company consent to MNP acting as the Proposal Trustee in the Proceedings. A copy of GTL's email to HSBC to confirm the discussion is attached as **Appendix "3"**. Prior to the expiration of the 10-Day Notice, the Proposal Trustee was never contacted by HSBC, MNP or Fasken to transition the NOI filing to MNP and the Proposal Trustee is unaware of any substantive discussions between the Company and MNP to file the NOI documents prior to the expiration of the 10-Day Notice.
40. Pursuant to an engagement letter dated February 4, 2022, GTL was engaged by the Company to: (i) conduct various discussions, meetings and correspondence with the Company to discuss and assess the Company's options; and (ii) prepare the necessary documents required to affect the NOI filing. Pursuant to the engagement letter, while GTL and the Company waited for BD&P and Fasken to connect, GTL assisted the Company in preparing the information required to file the NOI in the scenario where Fasken and BD&P could not negotiate an alternative resolution on behalf of their clients.
41. Mr. Flint advised GTL that he had spoken with BD&P who had advised him that there were some communication challenges between the parties. As a result, GTL contacted HSBC and requested them to address some of the issues, given the urgency of the situation. However, it appeared that no substantive discussions took place and GTL, the Company, and BD&P began discussing the

deadline to file the NOI. Although the 10-day notice period pursuant to section 244 of the BIA expired at 11:59 pm on Saturday, February 5, 2022, the Company preferred filing on February 4, 2022 as there was some concern on filing the documents with the OSB on the weekend.

42. Mr. Pederson sent an email to GTL instructing it to file the executed NOI documents with the OSB at 11:30 pm MST on February 4, 2022 unless the Company was able to have some substantive discussions with HSBC and provide the instructions to not file the NOI. The Company sent an email to HSBC advising of the communication challenges during the day in attempting to negotiate an alternative arrangement, and if these were not addressed, it would be required to file the NOI by end of day on February 4, 2022.
43. At 11:23 pm MST, the Company advised GTL to file the NOI at 11:30 pm MST.
44. At 11:41 pm MST, GTL filed the NOI with the OSB.

SUBSTITUTION OF THE PROPOSAL TRUSTEE

45. On February 7, 2022, Fasken informed the Proposal Trustee that HSBC sought to substitute GTL as the Proposal Trustee with MNP on the basis that MNP had been engaged by HSBC to act as its Financial Advisor. HSBC asserts that having MNP act as the Proposal Trustee will reduce the costs of the Proceedings.
46. On February 9, 2022, BD&P informed the Proposal Trustee that as a result of negotiations, Vertex had agreed to HSBC's request to have MNP substituted as the Proposal Trustee in the Proceedings. Accordingly, Company is bringing an application to the Court to substitute GTL with MNP as the Proposal Trustee in the Proceedings in conjunction with its application for an extension of the Stay Period.
47. Section 14.04 of the BIA states that:

“The court, on the application of any interested person, may for cause remove a trustee and appoint another licensed trustee in the trustee’s place.”
48. The Proposal Trustee notes that:

- (a) it has acted in good faith and has diligently performed all of its duties as required by BIA;
and
- (b) there are no allegations of misconduct, fraud or dishonesty on the part of GTL, or that it is otherwise incapable of acting as Proposal Trustee.

49. The Proposal Trustee is taking no position on the Company's application for its substitution.

SALE OR INVESTOR SOLICITATION PROCESS (SISP)

50. As set out in the Flint Affidavit, the Company seeks approval of a SISP to solicit and select bids for the sale of shares or assets of the Company, or of a refinancing, reorganization, recapitalization, restructuring, joint-venture, merger or other business transaction involving the Company, or some combination thereof (each, a "**Transaction**"). A potential Transaction with the Company (a "**Bid**") may involve:

- (a) a Person making an investment in the Company, including through the purchase or acquisition of the shares (or additional shares) of the Company (each an "**Investment Bid**"), through the provision of additional financing in the Company (each a "**Financing Bid**");
- (b) an offer to purchase some or all of the assets, or newly issued shares, of the Company (each a "**Purchase Bid**"); or
- (c) some combination thereof (each a "**Hybrid Bid**").

A copy of the SISP Procedure is included in Exhibit "D" to the Flint Affidavit.

51. Due to HSBC's request to replace GTL as the Proposal Trustee, HSBC requested that the Proposal Trustee and its counsel not be involved in the development of the SISP. However, at the request of the Company and in order to fulfill its duties as a Court Officer, the Proposal Trustee has performed a general review of the SISP and provides the following summary. In general, the proposed SISP sets out, among other things (capitalized terms as defined herein):

- (a) the manner and timelines by which any interested party may gain access to due diligence materials concerning the Company and its business;
- (b) the manner and timelines by which Potential Bidders may submit an offer for an investment in or an offer to purchase some or all of the Company's assets, property, undertakings and shares;
- (c) the manner and timelines for a Qualified LOI to be submitted for participation in the SISP and the required content of a Qualified LOI;
- (d) the manner and timelines for Qualified Phase 2 Bids to be submitted for participation in Phase 2 of the SISP and the required content of Qualified Phase 2 Bids; and
- (e) the process for obtaining Court approval of one or more Successful Bids.

Identification of Prospective Bidders and Issuance of Teaser

- 52. After the SISP Order is granted, the Proposal Trustee, in consultation with the Company will prepare: (i) a list of prospective bidders who may be interested in and have the financial capacity to make a Bid (the "**Prospective Bidders**"); and (ii) an initial offering summary (the "**Teaser**") describing the SISP and inviting Prospective Bidders to express their interest in making a Bid.
- 53. The Proposal Trustee will advertise the SISP in *BOE Report* and *The National Post (National Edition)* and the Company will issue a press release with Canada Newswire and a United States equivalent newswire to be distributed to financial centers in Canada, the United States, Europe, and Asia Pacific.
- 54. The Proposal Trustee will distribute to the Prospective Bidders the Teaser and a draft confidentiality agreement to be developed with the Company (the "**Confidentiality Agreement**").

Selection of Bidders

- 55. Any Prospective Bidder who wishes to participate in the SISP must provide the Proposal Trustee and the Company with:
 - (a) an executed Confidentiality Agreement; and

- (b) an executed letter acknowledging receipt of a copy of the SISP Order (including the SISP Procedures) and agreeing to accept and be bound by the provisions contained therein.
56. If the Proposal Trustee is satisfied with the above noted documentation provided by the Prospective Purchaser, such party will be deemed to be a **“Potential Bidder”** and will be provided with access to an electronic data room (the **“Data Room”**), containing confidential information to perform due diligence.

Phase 1

57. A Potential Bidder will be deemed a **“Qualified Bidder”** if, in the opinion of the Proposal Trustee, such Potential Bidder submits a non-binding, qualified letter of intent (a **“Qualified LOI”**) to the Proposal Trustee, with a copy to the Company, at anytime before 5:00 pm MST on April 21, 2022 (the **“Phase 1 Bid Deadline”**) or such other date as the Proposal Trustee selects and confirms in the Teaser. A letter of intent (**“LOI”**) will only qualify as a Qualified LOI if it meets all of the conditions outlined in paragraph 20 of the SISP Procedure.
58. No later than five (5) business days after the Phase 1 Bid Deadline, the Proposal Trustee, in consultation with the Company, will assess any Qualified LOIs received and determine whether or not there is a reasonable prospect that the one or more of the Transactions that are the subject of the Qualified LOIs are likely to complete. In the event that the Proposal Trustee, after consultation with the Company, determines that one or more Qualified LOIs contemplate Transactions that are likely to complete, the SISP shall proceed to the next phase. If the Proposal Trustee is not satisfied with the number or terms of the Qualified LOIs, the Proposal Trustee, in consultation with the Company, may extend the Phase 1 Bid Deadline without further Court approval.

Phase 2

59. In order to continue to participate in the SISP after the Phase 1 Bid Deadline, a Qualified Bidder must deliver a binding and definitive agreement to the Proposal Trustee, with a copy to the Company by no later than 5:00 pm MST on May 6, 2022, or such other date as the Proposal Trustee selects and confirms in the Teaser.

60. A binding offer will only qualify as a qualified phase 2 bid (a “**Qualified Phase 2 Bid**”) in the event that it meets the conditions outlined in paragraph 24 of the SISP Procedure, including the submission of:
- (a) a fully binding and definitive agreement, setting out the terms and conditions of the proposed Transaction, including the aggregate amount of the proposed equity and debt investment, assumption of debt, if any, financing and details regarding the proposed equity and debt structure of the Company following completion of the proposed transaction (a “**Definitive Restructuring Agreement**”); or,
 - (b) a fully binding and executed purchase and sale agreement substantially in the form provided for in the Data Room (a “**Definitive Purchase Agreement**”); or,
 - (c) some combination of a Definitive Restructuring Agreement and a Definitive Purchase Agreement (a “**Definitive Hybrid Agreement**”),
- (each a “**Definitive Agreement**”)

Selection of a Successful Bid

61. No later than five (5) business days after the Phase 2 Bid Deadline (the “**Qualified Phase 2 Bid Assessment Deadline**”), the Proposal Trustee, in consultation with the Company, will assess any Definitive Agreement and will determine whether any such Definitive Agreement constitutes a Qualified Phase 2 Bid.
62. Within ten (10) business days of the Qualified Phase 2 Bid Assessment Deadline, the Company, in consultation with the Proposal Trustee, shall (to the extent that there is more than one Qualified Phase 2 Bid) select the superior Qualified Phase 2 Bid (the “**Successful Bid**”) and file an application to the Court to approve such Successful Bid.
63. In the event the Company does not select a Successful Bid, the Proposal Trustee may file an application to the Court seeking a declaration that what the Proposal Trustee believes to be the superior Qualified Phase 2 Bid is the Successful Bid, and seeking an order:
- (a) approving such Qualified Phase 2 Bid as the Successful Bid;

(b) directing the Company, or the Proposal Trustee, as the case may be, to enter into and complete the Definitive Agreement representing underlying the Qualified Phase 2 Bid as the Successful Bid; and

(c) such ancillary and related relief as the Proposal Trustee may deem necessary

64. The following chart summarizes the relevant milestones for the proposed SISP:

Milestone	Estimated Deadline²
SISP Order	March 4, 2022
Commencement of SISP	March 7, 2022
Phase 1 Bid Deadline	April 21, 2022
Phase 2 Bid Deadline	May 6, 2022
Qualified Phase 2 Bid Assessment Deadline	May 11, 2022
Approval Hearing	As soon as practicable thereafter
Completion Date	No later than June 23, 2022

Proposal Trustee's Conclusion

65. The SISP was developed by way of negotiations among the Company, MNP, HSBC, and their respective legal advisors. The Proposal Trustee and its legal counsel were not involved in discussions regarding the SISP. Notwithstanding the Proposal Trustee not being included in the negotiations of the SISP, the Proposal Trustee is of the view that the timelines outlined in the SISP were developed to balance the time required to administer a commercially reasonable sale and investment process with the available financial resources of the Company. The Proposal Trustee believes that the SISP provides for a process that is reasonable in the circumstances. The SISP does not appear to have a Court approved sales agent to implement the SISP. The consideration of the same may be of benefit to stakeholders.

² The dates set out in the SISP may be extended by the Proposal Trustee, in consultation with the Company.

ADMINISTRATION CHARGE

66. The Company is seeking Court approval of a \$200,000 Administration Charge favour of Vertex's counsel and, upon its proposed appointment as proposal trustee in place of GTL, MNP and its legal counsel (collectively, the "**Administrative Professionals**") to secure their respective professional fees relating to the NOI proceedings. The Proposal Trustee supports the request for the Administration Charge, pursuant to section 64.2(1) of the BIA, on the basis that it provides certainty for the professionals involved that they will be paid such that they can effectively participate in the Proceedings.

PROFESSIONAL FEES

67. The Proposal Trustee seeks to have its fees and disbursements, as well as the fees and disbursements of its legal counsel, incurred in connection with the Proceedings, approved by the Court. The Proposal Trustee and its counsel have maintained detailed records of their professional time and costs.

68. The professional fees of the Proposal Trustee and its legal counsel, including an estimate to the date of the Company's application for the substitution of the Proposal Trustee, are as follows:

- (a) total fees and costs for the Proposal Trustee for the period to February 18, 2022 of \$50,897.00, plus applicable taxes;
- (b) the estimated fees and disbursements of the Proposal Trustee and its counsel necessary in the Proceedings up to the Company's application for the substitution of the Proposal Trustee are \$14,000.00 and \$6,000.00, respectively, plus applicable taxes. Copies of the Proposal Trustee's invoices, and its counsel's invoices will be made available to the Court.

69. The Proposal Trustee and its legal counsel have agreed to cap its combined fees at \$50,000 at the request of HSBC.

70. It is the Proposal Trustee's opinion that the fees and disbursements of the Proposal Trustee and its counsel accurately reflect the work done by the Proposal Trustee, and on behalf of the Proposal Trustee by its counsel, in connection with the Proceedings.

71. It is the Proposal Trustee's opinion that the fees and disbursements of its counsel are fair and reasonable in the circumstances and the Proposal Trustee recommends the approval of its counsel's fees and disbursements.

COMPANY'S EXTENSION REQUEST

72. The Company is seeking an extension of the time to execute the SISP and file a Proposal with the Official Receiver to April 18, 2022.
73. The Proposal Trustee supports the Company's request for the following reasons:
- (a) the Company is acting in good faith and with due diligence;
 - (b) the Company requires additional time to either develop a viable Proposal to creditors or facilitate a sale of the business; and
 - (c) no creditor would be materially prejudiced if the extension being applied for is granted.

CONCLUSION AND RECOMMENDATION

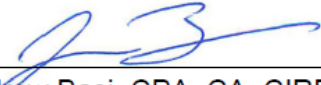
74. Granting an extension of time to file a Proposal will provide Vertex time to execute the SISP. The Proposal Trustee believes that the continuation of these Proceedings is in the best interest of stakeholders, and preferable to a liquidation in a bankruptcy and/or receivership.
75. Based on the First Report, the Proposal Trustee respectfully recommends this Court approve:
- (a) the Proposal Trustee's activities, conduct and professional fees, including the professional fees of its legal counsel, as outlined in the First Report;
 - (b) the Stay Extension;
 - (c) the SISP Procedure; and
 - (d) the Administration Charge.
76. As outlined previously in this First Report, the Proposal Trustee is not taking a position with respect to the Company's requested relief to substitute the Proposal Trustee.

ALL OF WHICH IS RESPECTIVELY SUBMITTED,

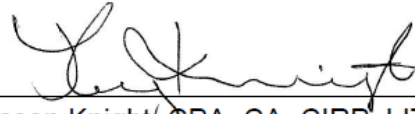
GRANT THORNTON LIMITED,

solely in its capacity as Proposal Trustee under a
Notice of Intention to Make a Proposal filed by
Vertex Downhole Ltd., and not in its personal capacity

Per:



Andrew Basi, CPA, CA, CIRP, LIT
Senior Vice President



Jason Knight, CPA, CA, CIRP, LIT
Vice President

APPENDIX 1

[ATTACHED]

Vertex Downhole Ltd.
Cash Flow Forecast


February 4, 2022 to May 13, 2022

For the week ending, in CAD	Notes	Actual Period to 11-Feb-22	Forecast Week 1 18-Feb-22	Forecast Week 2 25-Feb-22	Forecast Week 3 04-Mar-22	Forecast Week 4 11-Mar-22	Forecast Week 5 18-Mar-22	Forecast Week 6 25-Mar-22	Forecast Week 7 01-Apr-22	Forecast Week 8 08-Apr-22	Forecast Week 9 15-Apr-22	Forecast Week 10 22-Apr-22	Forecast Week 11 29-Apr-22	Forecast Week 12 06-May-22	Forecast Week 13 13-May-22	Total
Opening Cash	1	102,587	105,245	-	-	-	-	-	-	-	-	-	-	-	-	102,587
Receipts																
Customer Payments	2	3,109	2,840	107,967	159,251	2,741	26,786	12,400	64,063	4,445	289,743	-	142,516	-	95,011	910,872
HHBRP	3	-	14,470	32,280	86,504	-	42,076	-	13,000	-	45,346	-	13,000	-	22,673	269,349
GST		32,587	-	-	-	-	25,000	-	-	25,000	-	-	-	-	25,000	107,587
Repatriation from wholly owned subsidiary	4	49,737	53,476	-	-	20,454	3,481	64,242	33,614	119,808	98,504	37,977	18,898	187,576	4,025	691,792
Interim Financing		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Receipts		85,433	70,786	140,247	245,755	23,195	97,343	76,642	110,677	149,253	433,593	37,977	174,414	187,576	146,709	1,979,600
Disbursements																
Payroll		114,285	-	103,000	-	113,750	-	103,000	-	113,750	-	103,000	-	103,000	10,750	764,535
Rent		-	4,454	-	31,634	-	-	-	31,634	-	-	-	-	31,634	-	99,356
Insurance	5	-	-	-	-	-	-	-	75,000	-	-	15,000	-	-	-	90,000
General & Administrative		40,594	2,000	14,583	9,333	42,933	14,833	14,583	9,333	19,833	36,683	9,333	14,583	19,833	30,333	278,790
Vendor Payments	6	1,890	108,851	98,334	68,309	70,130	11,799	85,309	38,072	15,075	194,669	37,440	173,502	60,244	68,036	1,031,660
Interest & Bank Charges		45	-	-	22,890	-	-	-	22,890	-	-	-	7,890	15,000	-	68,715
Capital Expenditure		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Disbursements		156,814	115,305	215,917	132,166	226,813	26,632	202,892	176,929	148,658	231,352	164,773	195,975	229,711	109,119	2,333,056
Net cashflow from operations		(71,381)	(44,519)	(75,670)	113,589	(203,618)	70,711	(126,250)	(66,252)	595	202,241	(126,796)	(21,561)	(42,135)	37,590	(353,456)
Professional costs																
Legal Counsel Fees		-	40,000	-	-	-	40,000	-	-	-	20,000	-	-	-	-	100,000
Trustee Fees		49,737	-	-	-	-	40,000	-	-	-	50,000	-	-	-	-	139,737
Trustee's Legal Counsel Fees		-	-	-	-	-	30,000	-	-	-	15,000	-	-	-	-	45,000
Total Professional costs		49,737	40,000	-	-	-	110,000	-	-	-	85,000	-	-	-	-	284,737
Net cashflow following professional costs		(121,118)	(84,519)	(75,670)	113,589	(203,618)	(39,289)	(126,250)	(66,252)	595	117,241	(126,796)	(21,561)	(42,135)	37,590	(638,193)
Funding request																
Funding advances and repayments	7	123,776	(20,726)	75,670	(113,589)	203,618	39,289	126,250	66,252	(595)	(117,241)	126,796	21,561	42,135	(37,590)	535,606
Ending Cash Balance		105,245	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cumulative funding request	7	123,776	103,050	178,720	65,131	268,749	308,038	434,288	500,540	499,945	382,704	509,500	531,061	573,196	535,606	535,606

Management of Vertex Downhole Ltd. (the "Company") has prepared this forecasted cash-flow statement (the "Cash Flow Forecast") based on probable and hypothetical assumptions detailed in Notes 1 to 8. The Cash Flow Forecast has been prepared solely for the purpose of supporting the Notice of Intention to Make a Proposal ("NOI") filed by the Company on February 4, 2022. As such, readers are cautioned that it may not be appropriate for their purposes. The Cash Flow Forecast of the Company prepared in accordance with the provisions of the Bankruptcy and Insolvency Act ("BIA") should be read in conjunction with the Trustee's Report on the Cash-flow Statement.

Dated at the City of Calgary in the Province of Alberta, this 14th day of February 2022.

Vertex Downhole Ltd.
Per:



Craig Flint
Chief Financial Officer

Grant Thornton Limited
Per:



Andrew Basi, CPA, CA, CIRP, LIT
Senior Vice President

Vertex Downhole Ltd.
Notes to the Cash Flow Forecast
February 4, 2022 to May 13, 2022

Note 1

The Company had a cash balance equivalent to \$102,586.63 CAD in its USD account with HSBC Bank Plc ("**HSBC**") on February 4, 2022, the commencement date of these proceedings. The Company's CAD account with HSBC was \$5,636,588.07 overdrawn on February 4, 2022. For the purposes of the Cash Flow Forecast, and to more clearly present changes in the Company's cash position during the period, the overdrawn balance at the commencement of the proceedings has not been included in the opening cash. Any further funding projected to be required from HSBC by the Company during the period is reflected in the listed Funding Request.

Note 2

Customer payments represents projections for collection of existing accounts receivable balances as well as collection of new revenues resulting from the sale and rental of equipment manufactured by the Company.

Note 3

The amount projected to be received under the Hardest-Hit Business Recovery Program ("**HHBRP**"), relates to eligible wages and rent paid during the period from November 2021 through April 9, 2022. It is projected that HHBRP will be received approximately 5 business days following submission to CRA of the documentation required. An approximate \$60,000 claim was filed on January 17 and is currently subject to a 45-day review by CRA. It is assumed that this will be received at the end of the review period.

Note 4

Repatriation from and transfer to wholly-owned subsidiary represent amounts transferred from and to Vertex Downhole Inc. ("**Vertex US**"), a wholly-owned US subsidiary of the Company. Vertex US rents equipment manufactured by the Company to US customers and provides servicing and part sales for the equipment. Excess cash flows for Vertex US are transferred to the Company as available.

Note 5

The Company's insurance is due for renewal on March 17, 2022. For the purposes of the Cash Flow Forecast, it is assumed that premiums will increase approximately 15% and that the same payment terms will be available to the Company as the prior year.

Note 6

Vendor payments represents projected payments for inventory required to complete sales orders and generate revenues during the period. Payment terms have been adjusted to reflect discussions with key vendors undertaken by the Company since the commencement of these proceedings.

Note 7

The Company is in ongoing discussions with HSBC, the Company's primary lender, regarding the Funding Request and the Cash Flow Forecast assumes the support of HSBC during the period.

Note 8

The Cash Flow Forecast assumes an exchange rate of 1.2702 CAD to 1 USD for the period.

District of: Alberta
Division No. 02 - Calgary
Court No. 25-2802560
Estate No. 25-2802560

- FORM 30 -
Report on Cash-Flow Statement by the Person Making the Proposal
(Paragraphs 50(6)(c) and 50.4(2)(c) of the Act)

I, Vertex Downhole Ltd, have developed the assumptions and prepared the attached statement of projected cash flow of the insolvent person, as of the 14th day of February 2022, consisting of See attached summary..

The hypothetical assumptions are reasonable and consistent with the purpose of the projection described in the notes attached, and the probable assumptions are suitably supported and consistent with the plans of the insolvent person and provide a reasonable basis for the projection. All such assumptions are disclosed in the notes attached.

Since the projection is based on assumptions regarding future events, actual results will vary from the information presented, and the variations may be material.

The projection has been prepared solely for the purpose described in the notes attached, using a set of hypothetical and probable assumptions set out in the notes attached. Consequently, readers are cautioned that it may not be appropriate for other purposes.

Dated at the City of Calgary in the Province of Alberta, this 14th day of February 2022.



Vertex Downhole Ltd
Debtor

Craig S. Flint, Chief Financial Officer
Name and title of signing officer

District of: Alberta
Division No. 02 - Calgary
Court No. 25-2802560
Estate No. 25-2802560

FORM 30 - Attachment
Report on Cash-Flow Statement by the Person Making the Proposal
(Paragraphs 50(6)(c) and 50.4(2)(c) of the Act)

Purpose:

See attached summary.

Projection Notes:

See attached summary.

Assumptions:

See attached summary.

Dated at the City of Calgary in the Province of Alberta, this 14th day of February 2022.



Vertex Downhole Ltd

District of: Alberta
Division No. 02 - Calgary
Court No. 25-2802560
Estate No. 25-2802560

-- FORM 29 --

Trustee's Report on Cash-Flow Statement
(Paragraphs 50(6)(b) and 50.4(2)(b) of the Act)

The attached statement of projected cash flow of Vertex Downhole Ltd, as of the 14th day of February 2022, consisting of See attached summary., has been prepared by the management of the insolvent person (or the insolvent debtor) for the purpose described in the notes attached, using the probable and hypothetical assumptions set out in the notes attached.

Our review consisted of inquiries, analytical procedures and discussion related to information supplied to us by: the management and employees of the insolvent person or the insolvent person. Since hypothetical assumptions need not be supported, our procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the projection. We have also reviewed the support provided by: management or the insolvent person for the probable assumptions and preparation and presentation of the projection.

Based on our review, nothing has come to our attention that causes us to believe that, in all material respects,


- (a) the hypothetical assumptions are not consistent with the purpose of the projection;
- (b) as at the date of this report, the probable assumptions developed are not suitably supported and consistent with the plans of the insolvent person or do not provide a reasonable basis for the projection, given the hypothetical assumptions; or
- (c) the projection does not reflect the probable and hypothetical assumptions.

Since the projection is based on assumptions regarding future events, actual results will vary from the information presented even if the hypothetical assumptions occur, and the variations may be material. Accordingly, we express no assurance as to whether the projection will be achieved.

The projection has been prepared solely for the purpose described in the notes attached, and readers are cautioned that it may not be appropriate for other purposes.

Dated at the City of Calgary in the Province of Alberta, this 14th day of February 2022.

Grant Thornton Limited - Licensed Insolvency Trustee
Per:



Andrew Basi - Licensed Insolvency Trustee
1100, 332 - 6 Avenue SW
Calgary AB T2P 0B2
Phone: (403) 260-2500

District of: Alberta
Division No. 02 - Calgary
Court No. 25-2802560
Estate No. 25-2802560

FORM 29 - Attachment
Trustee's Report on Cash-flow Statement
(Paragraphs 50(6)(b) and 50.4(2)(b) of the Act)

Purpose:

See attached summary.

Projection Notes:

See attached summary.

Assumptions:

See attached summary.

Dated at the City of Calgary in the Province of Alberta, this 14th day of February 2022.

Grant Thornton Limited - Licensed Insolvency Trustee

Per:



Andrew Basi - Licensed Insolvency Trustee
1100, 332 - 6 Avenue SW
Calgary AB T2P 0B2
Phone: (403) 260-2500

APPENDIX 2

[ATTACHED]

Vertex Downhole Ltd.
Post-Filing Cash Flow Period Comparison
February 4, 2022 to February 18, 2022

Post-Filing Reporting Period In CAD	Actual	Cash Flow Statement	Favourable / (Unfavourable) Variance
Opening Cash	\$ 102,587	\$ 102,587	\$ -
Receipts			
Customer Payments	3,323	5,949	(2,626)
HHBRP	32,280	14,470	17,810
GST	32,587	32,587	-
Repatriation from wholly owned subsidiary	126,141	103,213	22,928
Interim Financing	-	-	-
Total Receipts	194,331	156,219	38,112
Disbursements			
Payroll	114,285	114,285	-
Rent	2,793	4,454	1,661
Insurance	-	-	-
General & Administrative	45,763	42,594	(3,169)
Vendor Payments	59,823	110,741	50,918
Interest & Bank Charges	260	45	(215)
Capital Expenditure	-	-	-
Total Disbursements	222,924	272,119	49,195
Net cashflow from operations	(28,593)	(115,900)	87,307
Other Disbursements			
Legal Counsel Fees	-	40,000	40,000
Trustee Fees	49,737	49,737	-
Trustee's Legal Counsel Fees	-	-	-
Total Other Disbursements	49,737	89,737	40,000
Total Disbursements	272,661	361,856	89,195
Net Cash Flow	(78,330)	(205,637)	127,307
Funding Request			
Funding advances and repayments	123,776	103,050	(20,726)
Closing Cash	\$ 148,033	\$ -	\$ 148,033

APPENDIX 3

[ATTACHED]

Knight, Jason

From: Wentzell, Mark
Sent: February 5, 2022 12:13 PM
To: John KW Lee
Cc: Basi, Andrew; Knight, Jason
Subject: Vertex Downhole ("Vertex")

Hi John,

Thank you for the conversation yesterday regarding Vertex. We discussed with you the previous challenges and the impact of the S. 244 demands and options available to the Company. We discussed the Companies preference for an agreement that would avoid a statutory filing. However, we did indicate this was an option the Company was considering. We also discussed that HSBC would not have an issue with GT acting, but the preference would be to continue with the current financial advisor ("FA") in the capacity as proposal trustee if an agreement could be reached as the current FA is up to speed on matters.

Our understanding is that the Company made attempts to reach an agreement with HSBC yesterday. However due to communication issues between counsel, these discussions did not advance in any material way. We also are not aware of the current FA making arrangements with the Company to file the proposal or enter into and dialogue with respect to a filing. With the deadline for filing imminent, the Company approached us to file the NOI documents. These documents were filed with the OSB at 11:30pm last evening.

We look forward to working with both the Company and HSBC to advance this restructuring for a positive outcome for all parties. We will provide you with copies of the filing documents on Monday.

If you require anything in the interim, I or Andrew (who will be overseeing the engagement from Calgary) are available to discuss over the weekend or on Monday morning.

Warm Regards and enjoy the remainder of your weekend.

Mark

Mark Wentzell | Partner

Grant Thornton LLP

Suite 1600 | 333 Seymour Street | Vancouver | BC | V6B 0A4

T +1 604 443 2173 | F +1 604 685 6569

E Mark.Wentzell@ca.gt.com | W <http://www.grantthornton.ca/>

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