

CANADA  
PROVINCE OF QUÉBEC  
DISTRICT DE MONTRÉAL  
COURT NO. : 500-11-036124-093

**SUPERIOR COURT  
COMMERCIAL DIVISION**

(Acting as designated court under the terms of  
the *Canada Business Corporations Act*)

**In the matter of the arrangement of Pebercan Inc.**, a corporation incorporated under the *Canada Business Corporations Act*, having its head office at 750, boulevard Marcel-Laurin, suite 106, in Montreal (Saint-Laurent), Quebec H4M 2M4.

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## **First Monitor's Report**

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### **Introduction**

1. Pebercan Inc. ("**Pebercan**") was engaged in the exploration, development and operation of oil reserves in the Republic of Cuba through its subsidiary Peberco Limited ("**Peberco**"), based in Bermuda. Its mining properties covered 93 km<sup>2</sup> and included three concessions, only one of which was exploited. Peberco sold all of its production to the Cuban government. Near the end of 2008, its net share of production was established at an average of 6,320 barrels per day.
2. Oil exploitation was a joint operation with Sherritt International (Cuba) Oil and Gas ("**Sherritt**"), another Canadian company also exploiting concessions in Cuba.
3. Peberco sold all of its oil production to a Cuban government agency called Cubapetroleo S.A. ("**Cupet**").
4. Towards the end of 2008, the Cuban authorities notified Peberco that they wished to prematurely terminate the production sharing contract, which was initially scheduled to expire in 2018. To do so, the Cuban authorities agreed to pay a lump sum payment of US\$140 million to Peberco in exchange for full settlement of debts owed to Peberco by Cupet (estimated at US\$108 million as at September 30, 2008) and the assumption of all of Peberco's obligations related to its operations in Cuba. The parties agreed to give Sherritt a portion of the net amounts received from Cupet, or around US\$60 million, to terminate the agreement between these two partners.
5. On February 20, 2009, after discontinuing its activities in Cuba through its subsidiary, Pebercan announced that the group of companies including Pebercan and Peberco would put an end to their commercial operations and that Pebercan would distribute to its shareholders the net cash resulting, for the most part, from its share of the amounts received by its subsidiary Peberco in exchange for cancellation of the production sharing contract with Cupet.
6. Pebercan proposed an Arrangement to all of its security holders in order to proceed with the company's liquidation. This arrangement was approved by the vast majority (99.7%) of Pebercan's security holders on May 26, 2009.
7. In a judgment rendered on July 1, 2009, the Superior Court of the Province of Quebec ("**Court**") rendered an order under the *Canada Business Corporations Act* ("**CBCA**") approving the arrangement proposed by Pebercan under the terms of section 192 of the CBCA.

8. In a judgment rendered on July 6, 2009, the Court rendered an order under the terms of the CBCA and appointed Samson Bélair/Deloitte & Touche Inc. as Monitor under the provisions of the CBCA in order to complete the Claims Process provided for in the Act.
9. By resolution of the board of directors of Peberco on July 9, 2009, Philippe Jordan of Samson Bélair/Deloitte & Touche Inc. was appointed Liquidator of Peberco under the *Bermuda Companies Act* of 1981 ("**Bermuda Act**")
10. This report covers the following points:
  - Pebercan and Peberco claims process
  - Identified debts and obligations of Pebercan
  - Valuation of Pebercan's assets
  - Identified debts and obligations of Peberco
  - Valuation of Peberco's assets
  - Steps required to cover the debts and obligations of Pebercan and Peberco
  - Interim distribution
  - Our recommendations
11. Please note that we have not verified or analyzed the financial information provided to us by the Company's management. We therefore do not express an opinion on the financial information provided by the Company's management and included in this report.

## Pebercan and Peberco Claims Process

### *Pebercan*

12. With respect to the Arrangement proposed by Pebercan, the Court rendered an order regarding Pebercan Claims, thereby providing a process for Claims against Pebercan.
13. On July 10, 2009, the Monitor sent, by priority post, an Information Leaflet containing the details of the Claims Process and a blank Proof of Claim form to all known suppliers of Pebercan that had had business dealings with Pebercan in the last year of operations. To reduce risks related to the completeness of the list provided to the Monitor by Pebercan's management, the Monitor conducted a series of tests using Pebercan's accounting records. No omission of suppliers was noted by the Monitor.
14. On July 15 and 22, 2009, the Monitor published a "Notice to Pebercan Claimants of a Claims Process and a Deadline for Claims" in the dailies *The Gazette*, *La Presse* and *The Bermuda Sun*, an English-language daily in Bermuda.
15. The creditors were required to send a duly completed Proof of Claim Form to the Monitor before 5 pm on August 21, 2009, failing which they would lose any right to file a Proof of Claim and receive any distribution whatsoever under the terms of the Arrangement proposed by Pebercan.

16. The order appointing Samson Bélair/Deloitte & Touche Inc. as Monitor under the provisions of the CBCA for the purpose of completing the "Claims Process" provided for in the Act exempted Jean-Claude Gourvès and Cédric Sirven from filing a Proof of Claim with the Monitor under the Claims Process. Consequently, the Monitor excluded Messrs. Gourvès and Sirven from the procedure for service of documents. A schedule circulated concerning these proceedings and a date for scheduling a trial is set for January 2010.
17. A list of the known suppliers of Pebercan who received the documents from the Monitor by priority post is presented in Appendix A1 of this report. In total, 107 mailings were sent out by the Monitor.

*Peberco*

18. Peberco initiated a voluntary liquidation process in July 2009 after a resolution of the board of Peberco and the filing of a declaration of solvency with the Bermuda Registrar of Companies had been agreed upon. This resolution was subsequently approved by the shareholders during a shareholder meeting that was also held in July 2009.
19. After the above procedures were completed, the Liquidator was appointed and a creditor identification process was initiated.
20. On July 20, 2009, the Liquidator sent, by priority post, an explanatory letter and a blank claim form to all known suppliers of Peberco from the last year of operations. To reduce the risks related to the completeness of the list provided to the Liquidator by Peberco's management, the Liquidator conducted a series of tests using Pebercan's accounting records. No omission of suppliers was noted by the Liquidator.

All Cuban suppliers connected with Cupet and Sherritt were excluded from this claims process, the reasons for which are explained later in this report.

21. The Liquidator did not send a blank claim form to all Cuban suppliers connected with Peberco. These suppliers have, up to now, been excluded from the procedure for service of documents in order to allow the Liquidator to review legal and other documents that have been signed between Peberco and Cupet and which, according to management and its attorneys, could justify the absence of claims, as in the case of Sherritt. (para. 21).

After reviewing these documents and holding multiple discussions with key participants for Peberco (including its attorneys) in the negotiation process with Cupet, the Liquidator concluded that documents would somehow need to be served on the Cuban authorities in order to confirm such absence of claims.

According to the advice received to date, it appears that the most effective way to do this would be to publish a notice in a Cuban daily. The Liquidator therefore proposes to publish this announcement between now and the end of September 2009 and this announcement will specify that potential claimants will have 30 days to pursue their claim.

22. The Liquidator, assisted by his Canadian and Bermudian attorneys, reviewed all the legal documents that had been signed between Sherritt and Peberco when the agreements between the two parties were terminated. The Liquidator, after reviewing these documents with his attorneys, concluded that there were no longer any possible claims by Sherritt against Peberco following such termination and there was therefore no reason to consider Sherritt as a potential claimant. The legal documents concerning this termination of agreements are presented in Appendix A2 of this report.

23. The explanatory letter sent to the suppliers of Peberco is presented in Appendix A3 of this report.
24. The claim form sent to the suppliers of Peberco is presented in Appendix A4 of this report.
25. On July 15, 2009, the Liquidator published a "Notice to Peberco Claimants of a Claims Process and a Deadline for Claims" in *The Bermuda Sun*, an English-language daily in Bermuda.
26. The creditors were required to send their duly completed proof of claim to the Liquidator before August 20, 2009.
27. A list of known suppliers of Peberco who received the documents from the Liquidator by priority post is presented in Appendix A5 of this report. In total, 18 mailings were sent out by the Liquidator.

### Identified Debts and Obligations of Pebercan

28. As a result of the Claims Process and the legal proceedings currently underway, the following claims against Pebercan have been identified:

<b>Creditors</b>	<b>CAD</b>
Messrs. Sirven and Gourves	\$8,000,000 <sup>1</sup>
Other employees	\$733,438 <sup>1</sup>
Federal/Provincial government claims	\$3,587,892 <sup>1</sup>
Other suppliers	\$318,182
<b>Total claims</b>	<b>\$12,639,512</b>

Note 1: These amounts are, in part, those at issue for currently pending legal actions. The inclusion of these amounts in this table does not justify the merits of these claims.

29. The amounts presented in the above table are the claims that were submitted to the Monitor but do not represent claims approved by the Monitor and Pebercan. In addition, the Monitor has been notified by tax authority representatives that the government claims may be revised upwards due to audits to be completed and documents to be transmitted by Pebercan to the tax authorities.
30. The Monitor is reviewing the Proofs of Claim received with Pebercan's help. If the Monitor concludes that the merit or amount of the Claim is contestable, it will have a "Notice of Dismissal" sent to the claimant dismissing the claimant's Proof of Claim in whole or in part and providing supporting reasons. To date, no Claim has been dismissed.
31. The Monitor expects to complete its Proof of Claim review process by September 30, 2009 and to have sent out all Notices of Dismissal, if any, to the Claimants involved.
32. It is understood that for the currently pending legal actions described in paragraphs 32 and 33, the Monitor does not expect to submit any Notices of Dismissal but will leave it to the upcoming decisions to assess the amount that will have to be recognized as an obligation of Pebercan.

33. Messrs. Sirven and Gourves are claiming an amount of around \$6 million plus \$2 million in legal fees and interest on the amounts owing. Examinations are currently being conducted in these cases. A schedule has been established by the parties. According to this schedule, the file should be in order on January 15, 2010 and a hearing date could be set at that time. This date could be decided in the spring of 2010.
34. Patrice Bedu is claiming an amount of \$683,438 as well as other costs related to health, life and dental insurance coverage for a period of 18 months. The proceedings in this case are presently underway and the attorneys for Pebercan believe that the file will be in order by the end of September 2009 and a trial date will likely be set thereafter.
35. Pebercan is currently in opposition to the federal and provincial governments with respect to notices of assessment for 2001, 2002 and 2003. The amounts currently assessed by the two governments total approximately \$3.3 million plus interest and penalties.
36. By way of a reminder, the Monitor was notified by the attorneys of the Canada Revenue Agency (“CRA”) that additional amounts may be added to the claim that has already been submitted as a result of the information that is being or will be provided by Pebercan under the CRA’s final review of the file. Consequently, the final value of the CRA’s claim could differ from the amount presented and thereby affect the final distribution to the shareholders.

#### Valuation of Pebercan’s assets

37. The table below presents the breakdown of Pebercan’s assets as at August 31, 2009 that will be used to pay the creditors and of which the residual amount, once liquidation costs are paid, will be used to pay the security holders:

Pebercan	CAD
Cash	\$95,319,585.40
Accounts receivable	\$580,631.41
Investment	\$137.50
Total assets	\$95,900,354.31

38. The entirety of the cash presented in the above table is held in Pebercan’s bank accounts at BNP Paribas in Switzerland, except for an amount of \$366,947.74, which is held in another Pebercan bank account at National Bank of Canada in Montreal.
39. Accounts receivable mostly comprise sales taxes receivable from the federal and provincial governments. These two governments have suspended all payments to Pebercan pending settlement of the dispute relating to the notices of assessments for 2001, 2002 and 2003.
40. To date, excluding the settlement of all claims, the surplus available for distribution to the security holders of Pebercan is around \$95 million. To this potential amount, an additional provision will have to be established by the Monitor in order to take into account possible post-liquidation claims in the matter of Peberco, as indicated in the following paragraphs of this report.

#### Identified Debts and Obligations of Peberco

41. The Claims Process did not result in the identification of active creditors for Peberco, despite a mailing and the publication of a notice in the daily *The Bermuda Sun*. As mentioned earlier in this report, no specific step has been taken with respect to Sherritt and the Cuban suppliers.

As stated previously, the Liquidator intends to publish a notice in a Cuban daily by the end of September 2009 in order to settle the matter of a potential claim by the Cuban authorities.

### **Valuation of Peberco's assets**

42. With the entirety of the amounts belonging to Peberco transferred to Pebercan in exchange for a letter of guarantee to cover any possible claims, the sole asset that Peberco has today is, in fact, that letter of guarantee.
43. If the letter in question has any value at all, it would be an amount equal to the balance of known or potential claims against Peberco. Given the absence of claims filed to date, no value can be assigned to the instrument at this time.

### **Steps Required to Cover the Debts and Obligations of Pebercan and Peberco**

#### *Process underway*

44. Under the liquidation process currently underway, the liquidation of Pebercan and the liquidation of Peberco are being carried out on an independent and parallel basis.
45. Pebercan is undertaking a voluntary liquidation under the CBCA.
46. Peberco is undertaking a voluntary liquidation under the *Bermuda Act*. It is worth noting that the Bermudian process is not supervised by the Bermuda Court. In the absence of supervision by this court, the *Bermuda Act* provides that any liquidated company may be required to be restored if a creditor shows up within 10 years of its winding up and convinces a Bermudian court that the liquidator committed an act of negligence or an omission or erred in his creditor identification process and that such unprofessional conduct prejudiced the creditor in question. The key element in the liquidator's defence is based on the liquidator's good faith in carrying out his duties, which the courts measure to determine whether the creditor's petition is justified.
47. If no assets are available to pay a claim admitted late by the Court, and if the Court determines that the Liquidator was responsible all the same, the Liquidator would be personally liable for the claim in question.
48. Given the 10-year period during which a creditor can pursue his claim notwithstanding the completed liquidation procedures, the existence of the letter of guarantee between Pebercan and Peberco currently leaves an obligation that is difficult to quantify on Pebercan's balance sheet.

Under the proceedings currently underway, the Monitor is required to carry out the difficult task of determining, for the entire period during which Peberco may be restored, a provision to cover any potential claim that may arise following the winding up of Peberco.

#### *Proposed Solution*

49. To address the problem caused by the aforesaid 10-year period, a solution is currently being studied by the two companies and their attorney as well as the Monitor and its attorneys in both Canada and Bermuda.
50. This solution consists in Peberco filing a Scheme of Arrangement under the *Bermuda Act* with the Bermuda Court. The objective of the Scheme would be to obtain authorization of an agreement

whereby Peberco would agree to waive its letter of guarantee from Pebercan in exchange for Pebercan agreeing, within the context of its Canadian liquidation, to directly guarantee all post-liquidation claims of Peberco.

51. Such a solution presupposes that the Bermuda Court will:

- a. accept an arrangement between Peberco and Pebercan providing for the retrocession of the letter of guarantee issued by the parent company to its subsidiary in exchange for the transfer of liability for the claims of the Bermuda subsidiary to Pebercan,
- b. agree to cede its authority over the handling of claims to the Canadian Court,
- c. agree to the reduction of the period for post-liquidation recourse by a Bermudian creditor from 10 years to 2 years,

and that the Canadian Court will agree to assume responsibility for handling claims subsequent to the winding up of Peberco.

52. If the proposed Scheme is rejected by either court, the liquidation process currently underway for Peberco would not be affected in any way and the 10-year period would continue to apply.

53. If the Scheme is accepted by the two courts, the obligation of establishing a provision to cover possible claims stemming from the winding up of Peberco would continue for the Monitor of Pebercan. However, such provision will have to be maintained for a period of 2 years, which is considerably shorter than the 10-year period initially envisioned under the current process.

### **Interim Distribution**

54. One of the key issues for the Monitor is to accurately determine the amount that may be distributed on an interim basis. For the security holders, the timing of the distribution is as important as the accuracy of the amount of such distribution. For Peberco, there are certain tax incentives for distributing the amounts to the shareholders before Peberco is delisted from the stock exchange. The main incentive is to avoid certain tax withholdings on amounts intended for foreign security holders.

55. For information purposes, as at April 14, 2009, the Company had 74,688,335 shares outstanding. Based on the information received, 45,266,667 of these shares are held by the Luxemburg company Peberinvest B.V., 14,273,394 shares by the foreign company Établissements Maurel & Prom S.A. and 1,666,666 shares by the foreign company Énergie Financement S.A. The other shareholders, the number of which have not been determined, are Canadian and foreign. None of these other shareholders has control or direction over, whether directly or indirectly, more than 10% of the securities outstanding.

56. The following factors will have to be considered by the Monitor and the Court before such a distribution is carried out:

- a. Provision to be established for potential Peberco claims;
- b. Results of the claims process for Cuban suppliers;
- c. Provision to be established for pending proceedings.

57. An interim distribution is not conditional on expiration of the filing period for potential claims in Peberco and on completion of all pending proceedings. Provided a justified, Court-approved provision can be established, the Monitor will be able to recommend that an initial distribution be made to the shareholders of Pebercan.
58. As at the date of this report, the Monitor does not have sufficient information to establish the aforesaid provisions and is therefore unable to perform a credible calculation of the amounts that could be the subject of an interim distribution.
59. According to Pebercan's attorneys and some other parties involved in the matter, it seems that the Monitor will be able to issue its opinion on the provisions to be established during the fall of 2009 and, consequently, that an interim distribution may be considered thereafter upon prior approval from the court.

### **Our Recommendations**

60. The Monitor believes that it is appropriate to consider the filing of a Scheme of Arrangement by Peberco for the following reasons:
- To permit the Canadian Court to monitor the process for Peberco claims that could affect the liquidation of Pebercan;
  - Shorten the period during which post-liquidation claims may be filed in Peberco from 10 years to 2 years;
  - Obtain the early cancellation of the letter of guarantee granted by Pebercan to Peberco.
61. The Monitor understands that the proposed solution does not only depend on the Canadian Court accepting this process, but that it is essential that the Bermuda Court accept it together with the Canadian Court. If either of these courts refuses the solution, the Monitor will be required to carry out liquidation procedures in parallel with the possibility that a creditor may file a claim against Peberco and the Liquidator anytime in the next 10 years.

**In Montreal, this 18th day of September 2009.**

**Samson Bélair/Deloitte & Touche Inc.  
Monitor of Pebercan Inc.**

**Philippe Jordan, CMA, CIRP  
Partner**



## **Appendix 1**

CREDITORS' MAILING LIST

Dated July 10, 2009

**PEBERCAN INC.**

IN THE MATTER OF THE ARRANGEMENT ACCORDING  
TO SECTION 192 OF CANADA BUSINESS CORPORATIONS ACT ( R.S., 1985, C. C-44 )

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El Cigarral, La Boyera Caracas  
VENEZUELA

Schlumberger Canada  
525 3rd Avenue SW  
Calgary AB T2P 0G4

Strophe  
1200 Boul. Chomedey, Suite 410  
Laval QC H7V 3Z3

Versacom  
Bureau 600 - 6e étage  
1501, avenue McGill College  
Montréal QC H3A 3M8

Iron Mountain  
P.O. Box 3527, Station A  
Toronto ON M5W 3G4

Levy Diamond  
850 Main Street  
Milford CT 06460  
USA

Ministère du revenu du Québec (Impôt)  
Secteur R23CPF  
1600, Boul. René-Lévesques O. 3e étage  
Montréal QC H3H 2V2

OCAQ – Comptables agréés du Québec  
680, rue Sherbrooke ouest  
18ieme étage  
Montréal QC H3A 2S3

Pebercan Inc.  
Bureau 106  
750, boulevard Marcel-Laurin  
St-Laurent QC H4M 2M4  
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Paris 75016  
FRANCE

Raymond Chabot Grant Thornton  
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Montréal QC H3B 4L8  
RR Donnelley Canada  
1010 de la Gauchetière O  
Montréal QC H3B 2N2

Sophie Laurent  
9 place Royale  
78000 Versailles  
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Taitbout Groupe – CRÉ Ircafex  
4 Rue du Colonel Driant  
Cedex 01  
Paris 75040  
FRANCE  
Maria Gutierrez  
4405, Chemin des Prairies, #2  
Brossard QC J4Y 0C6

Thomas Mauduit Thomas  
Govert Flinckstraat 250  
Amsterdam 1073 CE  
NEDERLAND

Palais de justice de Montréal  
Greffé de la cour Supérieure  
(Chambre commerciale)  
1, rue Notre-Dame Est  
Montréal QC H2Y 1B6

Monsieur Christophe Ranger  
Président et chef de la direction  
Pebercan Inc.  
Bureau 106  
750, boul. Marcel-Laurin  
Saint-Laurent QC H4M 2M4

## **Appendix 2**



## SETTLEMENT AGREEMENT

THIS AGREEMENT is made as of the 9th day of February, 2009

AMONG :

Pebercan Inc., a company existing under the laws of Canada ("Pebercan")

- and -

Peberco Limited, a company existing under the laws of Bermuda ("Peberco")

- and -

Sherritt International Corporation, a company existing under the laws of the Province of Ontario, Canada ("SIC")

- and -

Sherritt International (Cuba) Oil and Gas Limited, a company existing under the laws of the Bahamas ("SICOG")

Pebercan, Peberco, SIC and SICOG may hereinafter be referred to individually as a "Party" or collectively as the "Parties".

WHEREAS:

Peberco and Cubapetróleo ("CUPET") are parties to the "Contrato de Participación en La Producción de Hidrocarburos entre Cubapetróleo y Oil for Development" made as of August 21, 1993 governing the area designated as Block 7 in the Republic of Cuba ("Production Sharing Contract");

Pursuant to the terms of the Participation Agreement made as of October 28, 1998 between Peberco and SICOG ("Participation Agreement"), SICOG acquired participating interests in and to the Production Sharing Contract;

Pursuant to the terms of a Joint Operating Agreement made as of August 3, 2000 among SICOG, Peberco and Établissements Maurel & Prom, as amended ("JOA") SICOG acts as the Operator of Block 7 on behalf of itself and Peberco;



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Peberco and Comercial CUPET S.A. are parties to the "Contrato de Compra de Petróleo Crudo" made as of December 30, 2003, as amended ("Crude Oil Sales Agreement") which provides for the purchase and sale of all of the crude oil produced by Peberco and SICOG in Block 7;

Peberco and CUPET are parties to the "Contrato de Cesión de Derechos Sobre Participación en la Producción de Petróleo y Sobre Deuda" made as of January 14, 2009 ("Termination Agreement") whereby Peberco and CUPET have agreed to the termination of the Production Sharing Contract and the Crude Oil Sales Agreement and the settlement of all rights and obligations associated therewith for the sum of U.S. \$140,000,000.00 ("Termination Compensation");

The closing of the transactions contemplated in the Termination Agreement is scheduled to occur on February 9, 2009 or at such later time as payment of the Termination Compensation is effected ("Closing Date");

The Parties wish to set forth the terms and conditions for the allocation and payment of SICOG's share of the Termination Compensation and the termination of the JOA and settlement of any outstanding obligations arising thereunder as between Peberco and SICOG.

NOW THEREFORE the Parties agree as follows:

1. Termination Compensation

- 1.1 The Termination Compensation shall be allocated between Peberco and SICOG as follows:

Peberco	56.74%	U.S. \$79,436,000.00
Sherritt	<u>43.26%</u>	<u>U.S. \$60,564,000.00</u>
	100.00%	U.S. \$140,000,000.00

2. Termination of JOA

- 2.1 SICOG shall continue to perform the duties of Operator under the JOA up until the Closing Date, at which time the JOA shall terminate. Peberco and SICOG shall be responsible for each Party's respective participating share of expenses and obligations under the JOA up to and including the Closing Date. SICOG and Peberco hereby waive all notice requirements and other obligations relating to the termination of the JOA.
- 2.2 Peberco acknowledges that Cash Calls in respect of Block 7 operations up to December 31, 2008, as outlined in Schedule "A" hereto, in the amount of U.S. \$4,061,653.40, remain unpaid as of the date hereof. Peberco further acknowledges that its participating interest share of field operation costs for

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Block 7 are estimated to be U.S. \$2,387,996.28 for the period from January 1, 2009 up to and including the projected February 9, 2009 Closing Date. This cost figure shall be increased by the amount of U.S. \$18,903.16 per day in the event that the Closing Date is subsequent to February 9, 2009.

- 2.3 The Parties covenant and agree that the following additional amounts shall be paid by Peberco to SICOG in connection with the termination of the JOA:

2.3.1 Severance Costs for Expatriate Personnel

Peberco shall pay to SICOG a total of U.S. \$460,000.00 as its agreed share of costs associated with the termination of expatriate personnel employed by SICOG in Block 7 field operations in Cuba.

2.3.2 Inventory

Peberco acknowledges that SICOG has purchased on behalf of itself and Peberco, certain inventory items totalling U.S. \$231,444.57, as outlined in Schedule "B" hereto, in respect of which no claim for recovery of petroleum operation expenses has been made under the Production Sharing Contract. Such inventory items shall be offered for sale to CUPET until March 16, 2009. In the event that sale arrangements cannot be consummated with CUPET by such date, Peberco shall pay to SICOG the sum of U.S. \$131,321.64 (56.74% x U.S. \$231,444.57) as compensation for such inventory items. In the event that CUPET purchases some but not all of such inventory items, Peberco shall pay to SICOG 56.74% of the value of the inventory items not purchased.

3. Terms of Payment

3.1 Payment of Termination Compensation

Immediately upon receipt of the Termination Compensation pursuant to the Termination Agreement, Peberco shall forward by wire transfer to the bank account designated by SICOG, an amount in Euros equivalent to 43.26% of U.S. \$140,000,000.00, based on the USD/Euro exchange rate completed in accordance with the definition in the Termination Agreement and net of possible banking fees.

3.2 Payments Relating to the Termination of the JOA

On the Closing Date, Peberco shall forward by wire transfer to the bank account designated by SICOG, the equivalent in Canadian Dollars of the amounts set forth in Clauses 2.2 and 2.3.1 above. Payment of the equivalent in Canadian Dollars of the amount set forth in Clause 2.3.2 above shall, if so required, be made on March 16, 2009 (or such other date as may be agreed between



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Peberco and CUPET) by wire transfer to the bank account designated by SIC. For purposes of this Clause, the USD/CAD exchange rate shall be deemed to be 1.2266.

4. Mutual Releases

- 4.1 Following receipt by SICOG of the payments referenced in Clauses 3.1 and 3.2 hereof and provided that no further matters have arisen under the JOA from the date thereof up to and including the Closing Date which would have a material impact on the transaction contemplated herein, the Parties shall execute the Release attached as Schedule "C" hereto, releasing each other from all liability arising under the Production Sharing Contract, Participation Agreement, JOA and Crude Oil Sales Agreement which are known to the Parties, or any of them, as of the Closing Date.

5. Corporate Action

- 5.1 Pebercan and SIC covenant and agree to take all necessary corporate actions to ensure that their respective subsidiary companies, Peberco and SICOG, comply with each such Party's obligations under this Agreement on a timely basis.

6. SICOG Continuing Activity in Cuba

- 6.1 Pebercan and Peberco acknowledge and agree that, following the termination of the JOA, SICOG may continue to invest in oil and gas exploration and production activities in Cuba for its own account without any further obligation to Pebercan and Peberco.

7. Choice of Law and Arbitration

7.1 Choice of Law

This Contract shall be interpreted in accordance with the laws of the province of Alberta, Canada and the laws of Canada applicable therein, excluding any choice of law rules which would refer to the matter to another jurisdiction.

7.2 Arbitration

Any and all claims, demands, causes of action, disputes, controversies and other matters in question arising out of or relating to this Agreement, including any question regarding its breach, existence, validity or termination, which the Parties do not resolve amicably, shall be resolved by a sole arbitrator in accordance with the Arbitration Rules of the International Chamber of Commerce. The place of arbitration shall be Calgary, Alberta. The proceedings shall be conducted simultaneously in the English and French languages. The resulting arbitral award shall be final and binding, and judgment upon such award may be entered



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in any court having jurisdiction thereof. A dispute shall be deemed to have arisen when either Party notifies the other Party in writing to that effect. The Parties acknowledge that remedies at law may be inadequate to protect against breach of this Agreement. The arbitrator may therefore award both monetary and equitable relief, including injunctive relief and specific performance. A Party may apply to any competent judicial authority for interim or conservatory relief. The application for such measures or for the enforcement of such measures ordered by the arbitrator shall not be deemed an infringement or waiver of the agreement to arbitrate and shall not affect the powers of the arbitrator.

IN WITNESS WHEREOF the Parties have executed this Agreement as of the date first above written.

PEBERCAN INC.

By: \_\_\_\_\_

*Christophe RANGEL*

PEBERCO LIMITED

By: \_\_\_\_\_

*Christophe RANGEL*

SHERRITT INTERNATIONAL CORPORATION

By: \_\_\_\_\_

SHERRITT INTERNATIONAL (CUBA)  
OIL AND GAS LIMITED

By: \_\_\_\_\_

**SCHEDULE "A"**

**OUTSTANDING CASH CALLS**

<b><u>Cash Call Number</u></b>	<b><u>Amount</u></b>
Cash Call # 346 -Oct/08 Overhead	\$2,917.52
Cash Call # 347 - Oct/08 Field Costs	871,303.84
Cash Call # 348 - Oct/08 Operating Costs	516,843.39
Cash Call # 349 - Oct/08 Various Expenses	184,849.24
Cash Call # 350 - Interest on Overdue Cash Calls Nov 26/08	2,913.98
Cash Call # 350(a) Revised -Nov/08 Overhead	2,911.40
Cash Call # 351 - Nov/08 Field Costs	(2,501.74)
Cash Call # 352 - Nov/08 Operating Costs	463,474.45
Cash Call # 353 - Nov/08 Various Expenses	181,911.52
Cash Call # 354 -Dec/08 Overhead	13,621.34
Cash Call # 355 - Dec/08 Field Costs	(60.24)
Cash Call # 356 - Dec/08 Operating Costs	564,679.30
Cash Call # 357 - Dec/08 Various Expenses	886,267.20
Cash Call # 358 - Q3/08 Seboruco Processing Fees	372,504.20
	<hr/>
Total Cash Calls	\$4,061,653.40

**Field Operation Costs**

January	
Jan Opex Canasi	\$93,255.10
Jan Opex Seboruco	92,554.54
Jan Opex Santa Cruz	57,223.65
Jan Opex Yumuri	2,352.84
Jan Capital Canasi	24,295.85
Jan Capital Seboruco	60,973.40
Jan Capital Santa Cruz	5,201.74
Jan Capital B7	61.61
2006 Service Order Adj Canasi	89,025.80
2006 Service Order Adj Seboruco	522,340.92
2008 Service Order Adj Canasi	3,544.75
Mob&IT Canasi	6,007.69
Mob&IT Seboruco	10,208.09
Mob&IT Santa Cruz	349.55
Jan Timesheets Canasi	4,537.25
Jan Timesheets Seboruco	7,125.25
Jan Timesheets SC	4,425.82
Q4 Field Office Alloc	550,433.21
January Overhead	8,688.99
January Field Office Accrual	183,477.73
January Field Operation Costs	<hr/>
	\$1,726,083.78



**Block 7 Estimate February**

Q4 Processing Fees	\$365,789.79
February Opex Accrual	80,281.74
February Field Office Accrual	53,267.73
Seboruco Processing fees - Jan 1 to Feb 14	162,573.24
February Field Operation Cost	<u>\$661,912.50</u>
 Total Field Operation Costs	 \$2,387,996.28
 Total Due Block 7 Operations	 <u>\$6,449,649.68</u>

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SCHEDULE "B"

Warehouse	Commodity Code	ITEM DESC	Bin	Avg Cost (USD)	On Hand Qty	On Hand Joint UOM	Total (USD)
10	4013650	FIRE TUBE; 30" DIAMETER, UNIVERSAL 10" X 70" T	YUM22	35218.3800	1.0000	0 Each	35,218.39
16	0082385	VALVE; GATE, 3 1/8", 1000G# DO NOT REORDER	NV4FLOOR	9240.0000	3.0000	0 Each	27,750.00
10	0004591	VALVE; RELIEF, 6", 150 LB RF INLET X 6" 150 L	512	12021.6999	2.0000	0 Each	24,043.40
10	0004611	VALVE; RELIEF, 6" 150 LB RF INLET X 8" 150 LB	512	13916.6709	1.0000	0 Each	13,916.67
1	0082326	VALVE; CONTROL, 4"-150#, REVERSE ACTING, MALL	60016C01	3398.1500	3.0000	0 Each	10,194.45
1	5000520	STATOR; THERMAN, HNR, FOR SEEPER 8" 150# 130	60038A01	9500.0000	1.0000	0 Each	9,500.00
10	5000621	SEAL; MECHANICAL, BURGMAN PART# CARTEX DES 1	505	9816.9885	1.0000	0 Each	9,816.98
1	0081797	PUMP; FUEL, INJECTION FORD RANGER	01L05	4516.9925	2.0000	0 Each	9,033.98
1	0082077	ARRESTOR; FLAME, F68CR-XS-RGR, 6", 150# FLANG	60038A01	2757.5000	3.0000	0 Each	8,272.50
1	0081493	FILTER; FUEL, FORD RANGER TRUCK, DIESEL	M1D02	36.2176	183.0000	0 Each	6,983.62
16	0082425	VALVE; PRESSURE, 3/2 X 1/2 TYPE H ONE WAY BACK	05D5	1270.0000	4.0000	0 Each	5,080.00
1	0082132	DENSO; PASTE, IN TUBE 2.5KG	MFL11	36.5000	128.0000	0 Each	4,628.00
1	0081492	PIPE; GALVANIZED, 1/2", LOW PRESSURE, THRD	CONTM6	26.1000	137.0000	0 Each	3,849.70
1	0081794	FILTER; OIL, FORD RANGER TRUCK, DIESEL	M1D03	20.5338	165.0000	0 Each	3,798.75
1	0082325	SHOE; BRAKE, REAR, KIT, FORD RANGER	01K04	223.0267	17.0000	0 Each	3,791.45
1	0082328	VALVE; CONTROL, 4"-150#, DIRECT ACTING, MALLA	60016C01	3398.1500	1.0000	0 Each	3,398.15
1	0081793	VALVE; VACUUM, RELIEF, MODEL 450, 2" INLET X	17F02	979.0600	3.0000	0 Each	2,937.18
16	0082399	PAD; BRAKE, FRONT, KIT, FORD RANGER	01H03	201.8838	14.0000	0 Each	2,826.37
1	0081491	STUD; 1-1/8" X 8", WITH NUTS, DO NOT REORDER,	05I1	6.5400	408.0000	0 Each	2,674.86
1	0010665	SEAL; VITON, SIC/SIC, HASTELLOY, EAGLE A100,"	13B01	1316.7559	2.0000	0 Each	2,633.51
10	5001408	SEAL; MECHANICAL, 1 3/8", SC/SCVITON, EAGLE,	101C05	1183.8900	2.0000	0 Each	2,367.78
1	0083321	COMPRESSOR; A/C, FORD PICK UP RANGERS	01J02	1178.2300	2.0000	0 Each	2,362.46
10	0010664	IMPELLER; EAGLE A100 "L" ANSI PUMP, 3 X 2 - 1	104A06	960.4050	2.0000	0 Each	1,960.81
10	5001389	IMPELLER; V200M EAGLE PUMP	101C06	857.0000	2.0000	0 Each	1,714.00
16	4013203	STUD; 7/8" X 6 1/2", B7M	02D3	3.3800	502.0000	0 Each	1,686.76
1	0081491	FILTER; AIR, FORD RANGER TRUCK, DIESEL	M1C01	28.5559	58.0000	0 Each	1,559.13
1	0083337	SHOE; SET, BRAKE, REAR, FORD PICK UP RANGERS	01I02	238.7900	6.0000	0 Each	1,432.74
1	0081786	PLUG; GLOW, 12 VOLT (NGK/CZ7), FORD RANGER	01I08	118.6297	12.0000	0 Each	1,423.56
10	5001400	SEAL; MECHANICAL, 1 3/4", TYPE 4810, SC/SCV	101C05	1236.9000	1.0000	0 Each	1,236.90
1	0084469	DRUM; BRAKE, REAR, FORD PICK UP RANGERS	01J02	286.4000	4.0000	0 Each	1,165.60
1	5000273	JOINT; EXPANSION, 10" 150 # RF FLANGE X 24" L	80038E05	1181.1300	1.0000	0 Each	1,181.13
1	0081805	RADIATOR; ASSEMBLY, FORD RANGER, 2.5 DIESEL	35C01	574.3467	2.0000	0 Each	1,148.69
1	0434273	BELT; ALTERNATOR, FAN, FORD PICK UP RANGERS	UAWA24	124.5169	9.0000	0 Each	1,120.65
1	0082281	VALVE; PRESSURE, 3/4", NPT CONN, GILMORE SET	13B02	1075.4000	1.0000	0 Each	1,075.40
10	5001401	IMPELLER; EAGLE A100S PUMP	101C05	494.7600	2.0000	0 Each	989.52
1	0082607	BELT; TIMING, DIESEL ENGINE, FORD RANGER 4X4	01H04	87.6840	10.0000	0 Each	876.84
10	4011167	SHAFT; EAGLE A100M PUMP, SEE NOTES FOR OTHER	101C03	406.4100	2.0000	0 Each	812.82
16	0082095	SHAFT; AND PINION, 8", 316 SS, F/ CANALTA 6" 1	01H2	80.5400	10.0000	0 Each	805.40
16	0082105	PACKING; GREASE, ASSY F/ CANALTA 3" AND 6" 1	01H2	83.7900	9.0000	0 Each	754.11
1	0084470	PAD; BRAKE, FRONT, KIT, FORD PICK UP RANGERS	01J03	185.7600	4.0000	0 Set	743.04
1	0081788	WINDSHIELD; FORD RANGER	MFL05	245.4990	3.0000	0 Each	736.50
1	0081809	LAMP; SIGNAL, FRONT, (LEFT SIDE) FORD RANGER	01K03	128.3202	5.0000	0 Each	641.60
1	0083320	PUMP; STEERING, POWER, FORD PICK UP RANGERS	01L01	619.8454	1.0000	0 Each	619.85
1	0083311	FILTER; FUEL, ASSY, FORD PICK UP RANGERS	01I01	285.3946	2.0000	0 Each	570.79
1	0084437	MUFFLER; ASSEMBLY, FORD PICK UP RANGERS	01H06	539.2200	1.0000	0 Each	539.22
10	4011187	SHAFT; EAGLE A100S PUMP	101C03	265.0500	2.0000	0 Each	530.10
10	0010658	SLEEVE; SHAFT, EAGLE A100 "L" ANSI PUMP, 3 X	102A07	255.5700	2.0000	0 Each	511.14
1	0081791	LAMP; TAIL, ASSEMBLY, LEFT SIDE, FORD RANGER	01K05	102.1867	5.0000	0 Each	510.93
1	0084439	JOINT; BALL, LOWER, FORD PICK UP RANGERS	01I09	70.8125	6.0000	0 Each	424.88

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SCHEDULE "B"

Warehouse	Commodity Code	ITEM DESC	Bin	Avg Cost (USD)	On Hand Qty	On Hand Joint UOM	Totals (USD)
10	4011168	SLEEVE: SHAFT, EAGLE A100M PUMP, SEE NOTES FO	108B08	212.0400	2.0000	0 Each	424.08
1	0083313	PUMP: WATER, ENGINE, FORD PICK UP RANGERS	01J01	196.3383	2.0000	0 Each	392.68
16	0082090	SHAFT: AND PINION, 3", 316 SS FI CANAL TA 3" 15	01H2	64.2600	6.0000	0 Each	385.56
1	0084472	CYLINDER: MASTER, CLUTCH, FORD PICK UP RANGER	01J03	189.7700	2.0000	0 Each	379.54
1	0083322	CLUTCH: COMPRESSOR, A/C, FORD PICK UP RANGERS	01L02	180.9609	2.0000	0 Each	361.92
10	0010654	BEARING: OUTBOARD, EAGLE A100 "L" ANSI PUMP,	102A07	178.7400	2.0000	0 Each	357.48
1	0083328	CONDENSER, A/C, FORD PICK UP RANGERS	01I02	345.9400	1.0000	0 Each	345.94
1	0084471	CYLINDER: SLAVE, CLUTCH, FORD PICK UP RANGERS	01J03	149.7300	2.0000	0 Each	299.40
10	5001391	BEARING: BALL, OUTBOARD, EAGLE V200M PUMP	101C05	148.4300	2.0000	0 Each	296.86
10	4011188	SLEEVE: SHAFT, EAGLE A100S PUMP	108B08	141.3600	2.0000	0 Each	282.72
1	0083328	DISC: CLUTCH, ENGINE, FORD PICK UP RANGERS	01L02	276.3400	1.0000	0 Each	276.34
1	0081792	LAMP: TAIL, ASSEMBLY, RIGHT REAR, FORD RANGER	01L04	91.6500	3.0000	0 Each	274.95
1	0084451	ABSORBER: SHOCK, FRONT, FORD PICK UP RANGERS	01L06	137.4200	2.0000	0 Each	274.84
1	0084458	SENSOR: CHARGE, AIR, FORD PICK UP RANGERS	01I09	273.2800	1.0000	0 Each	273.28
1	0081798	CYLINDER: BRAKE, SET, BACK, FORD RANGERS	01J05	42.5100	6.0000	0 Each	256.06
1	0081808	HEADLAMP: ASSEMBLY, RIGHT SIDE, FORD RANGER	01H05	124.8384	2.0000	0 Each	249.68
1	0084438	JOINT: BALL, UPPER, FORD PICK UP RANGERS	01I09	38.6850	6.0000	0 Each	231.39
1	0081716	FILTER: FUEL, GENSET LAMMAR GENERATOR	M2E01	14.3500	16.0000	0 Each	229.60
1	0083560	SHOCK: REAR, 2004 FORD RANGER, 4 X 4, DIESEL	01K06	109.7920	2.0000	0 Each	219.58
1	0081806	HEADLAMP: ASSEMBLY, LEFT SIDE, FORD RANGER	01K03	105.6200	2.0000	0 Each	211.04
1	0084601	SWITCH: CONTROL, A/C, FORD PICK UP RANGERS	01I08	33.5600	6.0000	0 Each	201.36
1	0082323	REGULATOR: SET, MALLARD, PRESSURE, 0-120 PSI	17F02	32.0000	6.0000	0 Each	192.00
1	0084459	SENSOR: ACT, FORD PICK UP RANGERS	01J01	87.4600	2.0000	0 Each	174.92
1	0084440	ROD: TIE, OUTER, FORD PICK UP RANGERS	01I09	82.7989	2.0000	0 Each	165.60
10	0010655	BEARING: INBOARD, EAGLE A100 "L" ANSI PUMP, 3	102A07	80.4910	2.0000	0 Each	160.98
1	0084434	CABLE: BRAKE, PARK FRONT, FORD PICK UP RANGER	01J04	34.4800	4.0000	0 Each	137.92
1	0084441	ROD: TIE, INNER, FORD PICK UP RANGERS	01I09	66.5093	2.0000	0 Each	133.02
10	4011186	BEARING: OUTBOARD, EAGLE A100S PUMP	108B08	61.8500	2.0000	0 Each	123.70
1	0084454	SENSOR: ABS, RH, REAR, FORD PICK UP RANGERS	01J01	119.9900	1.0000	0 Each	119.99
1	0084453	SENSOR: ABS, LH, FRONT, FORD PICK UP RANGERS	01J06	111.4800	1.0000	0 Each	111.48
1	0084452	SENSOR: ABS, RH, FRONT, FORD PICK UP RANGERS	01J06	110.9900	1.0000	0 Each	110.99
1	0084455	SENSOR: ABS, LH, REAR, FORD PICK UP RANGERS	01J06	110.2900	1.0000	0 Each	110.29
1	0083317	FAN: COOLING, ENGINE, FORD PICK UP RANGERS	01J01	108.1700	1.0000	0 Each	108.17
10	5001392	BEARING: BALL, INBOARD, EAGLE V200M PUMP	101C05	53.0100	2.0000	0 Each	106.02
1	0083325	SWITCH: VACUUM, A/C, FORD PICK UP RANGERS	01I08	40.8802	2.0000	0 Each	81.76
1	0084456	SENSOR: ECT, FORD PICK UP RANGERS	01I08	79.9000	1.0000	0 Each	79.90
1	0083323	SWITCH: PRESSURE, A/C, FORD PICK UP RANGERS	01I08	38.0791	2.0000	0 Each	76.16
1	0084460	NUT: WHEEL, FORD PICK UP RANGERS	01J01	6.3700	11.0000	0 Each	70.07
10	0010660	GASKET: CASING, EAGLE A100 "L" ANSI PUMP, 3 X	104A05	34.0760	2.0000	0 Each	68.15
1	0084463	STUD: WHEEL, REAR, FORD PICK UP RANGERS	01K02	5.3700	12.0000	0 Each	64.44
10	5001308	DEFLECTOR: EAGLE BOOSTER PUMP	101B01	60.6710	1.0000	0 Each	60.67
10	0010663	O-RING: HOUSING, BEARING, EAGLE A100 "L" ANSI	102A05	18.9361	3.0000	0 Each	56.81
10	4011183	DEFLECTOR: EAGLE V200M PUMP	108B08	26.5100	2.0000	0 Each	53.02
10	5001395	O-RING: IMPELLER, EAGLE A100 "L" ANSI PUMP, 3	108B08	16.9153	3.0000	0 Each	50.75
10	0010658	SEAL: HUB, WHEEL, REAR, FORD PICK UP RANGERS	102A04	16.9153	3.0000	0 Each	50.75
1	0010661	SEAL: HUB, WHEEL, REAR, FORD PICK UP RANGERS	103A06	8.9300	4.0000	0 Each	35.72
10	0084445	SEAL: OIL, EAGLE A100M PUMP, SEE NOTES FOR OT	01I08	17.6700	2.0000	0 Each	35.34
10	4011170	O-RING: BEARING HOUSING, EAGLE A100M PUMP, SE	108B08	17.6700	2.0000	0 Each	35.34
10	4011171		108B08				

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SCHEDULE "B"

Warehouse	Commodity Code	ITEM DESC	Bin	Avg Cost (USD)	On Hand Qty	On Hand Joint UOM	Totals (USD)
10	4011190	SEAL, OIL, EAGLE A100S PUMP	108B08	17.6700	2.0000	0 Each	35.34
10	5001383	SEAL, OIL, INBOARD, EAGLE V200M PUMP	108B08	17.6700	2.0000	0 Each	35.34
10	5001396	BEARING, LOCKNUT, EAGLE V200M PUMP	108B08	17.6700	2.0000	0 Each	35.34
10	5001398	RING, RETAINING, EAGLE V200M PUMP	108B08	17.6700	2.0000	0 Each	35.34
10	5001402	SEAL, OIL, INBOARD, EAGLE A100S PUMP	108B08	17.6700	2.0000	0 Each	35.34
10	5001404	DEFLECTOR, EAGLE A100S PUMP	108B08	17.6700	2.0000	0 Each	35.34
10	5001405	LOCKNUT, BEARING, EAGLE, A100S PUMP	108B08	17.6700	2.0000	0 Each	35.34
1	0082397	STUD, 1-1/8" X 7-1/4", GRADE B7, WITHOUT NUTS	80018B05	6.8300	5.0000	0 Each	34.15
10	0010657	SEAL, OIL, INBOARD, EAGLE A100 "L" ANSI PUMP,	102A04	17.0380	2.0000	0 Each	34.08
10	5001311	RING, RETAINING, EAGLE BOOSTER PUMP	106A04	26.6400	1.0000	0 Each	26.64
10	4011165	O-RING, IMPELLER, EAGLE A100M PUMP, SEE NOTES	108B08	13.2500	2.0000	0 Each	26.50
10	0010659	GASKET, GLAND, MECHANICAL SEAL, EAGLE A100 "L"	103A06	8.4577	3.0000	0 Each	25.37
10	5001309	LOCKNUT, BEARING, EAGLE BOOSTER PUMP	106A04	22.2000	1.0000	0 Each	22.20
10	0010662	PIN, DRIVE, SHAFT SLEEVE, EAGLE A100 "L" ANSI	108B07	4.3648	5.0000	0 Each	21.82
10	4011191	O-RING, BEARING HOUSING, EAGLE A100S PUMP	108B08	8.8300	2.0000	0 Each	17.66
10	5001394	GASKET, MECHANICAL SEAL GLAND, EAGLE V200M PU	108B08	8.8300	2.0000	0 Each	17.66
10	5001403	GASKET, MECHANICAL SEAL GLAND, EAGLE A100S PU	108B08	8.8300	2.0000	0 Each	17.66
10	5001407	RING, RETAINING, EAGLE, A100S PUMP	108B08	8.8300	2.0000	0 Each	17.66
1	0081775	GASKET, PUMP, WATER, 2.5 DIESEL, FORD RANGER	01109	5.5186	3.0000	0 Each	16.66
1	0084444	SEAL, HUB, WHEEL, REAR, FORD PICK UP RANGERS	01108	7.0700	2.0000	0 Each	14.16
10	4011185	O-RING, IMPELLER, EAGLE A100S PUMP	108B08	7.0700	2.0000	0 Each	14.14
10	5001397	LOCKWASHER, BEARING, EAGLE V200M PUMP	108B08	4.4200	2.0000	0 Each	8.84
10	5001408	LOCKWASHER, BEARING, EAGLE, A100S PUMP	108B08	4.4200	2.0000	0 Each	8.84
10	5001310	LOCKWASHER, BEARING, EAGLE BOOSTER PUMP	108A04	4.4400	1.0000	0 Each	4.44
							\$231,444.57

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## SCHEDULE "C"

**MUTUAL RELEASE**

## WHEREAS:

Peberco Limited ("Peberco") and Cubapetróleo ("CUPET") are parties to the "Contrato de Participación en La Producción de Hidrocarburos entre Cubapetróleo y Oil for Development" made as of August 21, 1993 governing the area designated as Block 7 in the Republic of Cuba ("Production Sharing Contract");

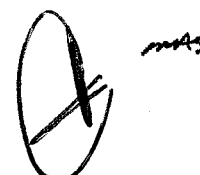
Pursuant to the terms of the Participation Agreement ("Participation Agreement") made as of October 28, 1998 between Peberco and Sherritt International (Cuba) Oil and Gas Limited ("SICOG"), SICOG acquired participating interests in and to the Production Sharing Contract;

Pursuant to the terms of a Joint Operating Agreement made as of August 3, 2000 among SICOG, Peberco and Établissements Maurel & Prom, as amended ("JOA"), SICOG was appointed as the Operator of Block 7 on behalf of itself and Peberco;

Peberco and Comercial Cupet S.A. are parties to the "Contrato de Compra de Petróleo Crudo" made as of December 30, 2003, as amended ("Crude Oil Sales Agreement"), which provides for the purchase and sale of all of the crude oil produced by Peberco and SICOG in Block 7;

Peberco and CUPET are parties to the "Contrato de Cesión de Derechos Sobre Participación en la Producción de Petróleo y Sobre Deuda" made as of January 14, 2009 ("Termination Agreement"), whereby Peberco and CUPET have agreed to the termination of the Production Sharing Contract and the Crude Oil Sales Agreement and the settlement of all rights and obligations associated therewith for the sum of U.S. \$140,000,000.00 ("Termination Compensation").

FOR AND IN CONSIDERATION of the following sums defined in the Settlement Agreement in respect of the Termination Compensation and in respect of the settlement of matters pertaining to the JOA, a copy of which is attached hereto as Schedule "A", the receipt and sufficiency of which are hereby acknowledged, Sherritt International Corporation and SICOG (hereinafter called the "Sherritt Releasors") hereby release and forever discharge Pebercan Inc. and Peberco Limited, their affiliated companies and the directors, officers, employees, agents, successors and assigns of all such entities (hereinafter collectively referred to as the "Pebercan Releasees") from any and all manner of action, causes of action, claims and demands whatsoever at law or in equity which the Sherritt Releasors ever had or now have or which they or their successors and assigns hereafter can, shall or may have against the Pebercan Releasees, arising out of any matter, cause or thing known to be existing at the date of execution hereof respecting or in any way arising out of the Production Sharing Contract, the

A handwritten signature, possibly "mas", is written next to a large, stylized circular mark that resembles a large letter "A" or a checkmark.

Participation Agreement, the JOA, the Crude Oil Sales Agreement and the Termination Agreement.

FOR AND IN CONSIDERATION of the sum of CAD \$10.00, the receipt and sufficiency of which are hereby acknowledged, Pebercan Inc. and Peberco (the "Pebercan Releasors") hereby release and forever discharge Sherritt International Corporation and Sherritt International (Cuba) Oil and Gas Limited, their affiliated companies and the directors, officers, employees, agents, successors and assigns of all such entities (hereinafter collectively referred to as the "Sherritt Releasees") from any and all manner of action, causes of action, claims and demands whatsoever at law or in equity which the Pebercan Releasors ever had or now have or which they or their successors and assigns hereafter can, shall or may have against the Sherritt Releasees, arising out of any matter, cause or thing known to be existing at the date of execution hereof respecting or in any way arising out of the Production Sharing Contract, the Participation Agreement, the JOA, the Crude Oil Sales Agreement and the Termination Agreement.

IN WITNESS WHEREOF Sherritt International Corporation, Sherritt International (Cuba) Oil and Gas Limited, Pebercan Inc. and Peberco Limited have executed this Release as of the 14 day of February, 2009.

SHERRITT INTERNATIONAL CORPORATION

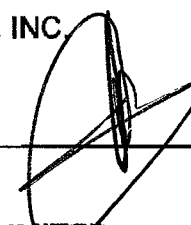
Per: \_\_\_\_\_

SHERRITT INTERNATIONAL (CUBA)  
OIL AND GAS LIMITED

Per: \_\_\_\_\_


PEBERCAN INC

Per: \_\_\_\_\_

 Christophe RANGER

PEBERCO LIMITED

Per: \_\_\_\_\_

 Christophe RANGER

## **Appendix 3**

**Samson Bélair/Deloitte & Touche Inc.**  
1 Place Ville Marie  
Suite 3000  
Montreal QC H3B 4T9  
Canada

Tel: 514-393-8386  
Fax: 514-390-4103  
www.deloitte.ca

July 20, 2009

«Name»

«Address»

**Re: Peberco Limited (“Peberco”)**  
**Our file No. 904150-1000000**

Dear Sir or Madam,

Please take notice that, on June 22, 2009, Peberco Limited passed a resolution to voluntarily wind up its affairs and to appoint the undersigned as Liquidator.

Peberco’s books and records indicate that your company did business with it and was a service provider in the last twelve (12) months.

In the event that Peberco has any outstanding sums owing with your company, and in order to enable your firm to participate in an eventual distribution, please complete, sign and send to the Liquidator the attached Proof of Claim Form with a statement of account along with supporting invoices.

If there are no sums owing to your company, please confirm same by signing and returning the enclosed copy of this letter. In the event we do not receive any reply from you by August 20, 2009, you will be deemed to have no outstanding claim with Peberco and we will proceed with the dissolution of the company.

On the other hand, if you owe money to Peberco by virtue of any outstanding deposits, retainers, prepaid sums or any other manner of credit, you are also asked to reimburse said funds held by your company by wire transfer to the coordinates below:

*Scotia Bank  
1800 Mc Gill College Avenue  
Montreal QC Canada H3V 3Y1  
Montreal Business Support Centre, Transit: 63 081-002*

*Swift Code CAD\$: NOS CC ATT  
CDN Account Number: 63081 00830 11  
Swift Code USD\$: NOS CUS 33  
ABA #: 026002532  
US Account Number: 63081 88230 14*

*Please confirm your transfer by sending an email to: [deloittemontreal@deloitte.ca](mailto:deloittemontreal@deloitte.ca)*

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«Name»  
July 20, 2009  
Page 2

or send us by return of mail a certified cheque, bank draft or international money order payable to:

*Samson Bélair/Deloitte & Touche Inc. in trust for Peberco Limited*  
*1 Place Ville Marie, Suite 3000*  
*Montréal QC H3B 4T9*  
*CANADA*  
*Attention : Mr. Philippe Jordan*

Yours truly,

Philippe Jordan, CMA, CIRP  
Liquidator  
For and in the name of  
**Samson Bélair/Deloitte & Touche Inc.**

PJ/il

Encls. (2)

## **Appendix 4**



**In The Matter of the Liquidation of  
PEBERCO LIMITED  
in Accordance with the Laws of Bermuda.**

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**PROOF OF CLAIM**

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**A. IDENTIFICATION OF THE CLAIMANT**

1. Complete name of the Claimant: \_\_\_\_\_
2. Complete address: \_\_\_\_\_
3. Telephone number: \_\_\_\_\_
4. Fax number: \_\_\_\_\_
5. Email address: \_\_\_\_\_
6. Name and title of the person to contact: \_\_\_\_\_

**B. CLAIM**

I, \_\_\_\_\_ (name of the claimant or authorized representative of the claimant), hereby attest that;

1. I am a claimant or I am a the \_\_\_\_\_ of the claimant and I have complete knowledge of all the circumstances surrounding the claim hereinafter described;
2. On \_\_\_\_\_ 2009, the claimant had the following claim against Peberco Limited;
3. This claim remains unpaid or incomplete.

*If the claim seeks the payment of a specific amount, please state the amount and the currency in which it is payable:*

Amount of the claim: \_\_\_\_\_ currency

### C. DETAILS OF THE CLAIM

- a) The details of the claim or of the undersigned are described hereafter, or appear in the statement of account and/or other documents joined hereto:

[illegible]

*(Please provide the complete details of the subject of the claim and the documents in its support, including the amount, the description of the transactions or agreements at the source of the claim, the name of any surety who would have guaranteed the claim, the date and the name and the number of any invoice, the details of any credit, discount, etc. claimed.)*

- b) In connection with the claim:

- ☐ The claimant has security on the property of the Corporation;
- ☐ The claimant does not have security.

Dated in \_\_\_\_\_, on \_\_\_\_\_ 2009  
*location date*

*Name of the Claimant in capital letters*

By: \_\_\_\_\_

**THE PROOF OF CLAIM MUST BE RETURNED TO AND RECEIVED BY THE LIQUIDATOR BEFORE 5:00 P.M., EASTERN DAYLIGHT-SAVING TIME, ON AUGUST 20TH, 2009, AT THE FOLLOWING ADDRESS:**

Philippe Jordan, CMA, CIRP  
Liquidator  
For and in the name of  
**Samson Bélair/Deloitte & Touche Inc.**  
Suite 3000  
1 Place Ville-Marie  
Montréal, Québec H3B 4T9  
Telephone: (514) 393-8386  
Fax : (514) 390-4103  
Email: [phjordan@deloitte.ca](mailto:phjordan@deloitte.ca)

## **Appendix 5**

In the Matter of the Liquidation of  
PEBERCO LIMITED  
In Accordance with the Laws of Bermuda

**Creditors Mailing List**  
July 20, 2009

	Name	Address
1	AGS Paris	61, rue de la Bongarde Gennevilliers Paris 92230 FRANCE
2	Beicip-Franlab	232 avenue Napoléon-Bonaparte Rueil-Malmaison (Hauts-de-Seine) 92500 FRANCE
3	C2C Travel Limited	Premier House, 45 Ealing Road Wembley Middlesex HA0 4BA ENGLAND
4	Centre for Education & Training	2 Robert Speck Pkwy, Suite 800 Mississauga ON L4Z 1H8
5	CIMEX -USA	281 Southwest Ave Tallmadge OH 44278 USA
6	Codan Services Limited	Clarendon House 2, Church Street Hamilton HM 11 BERMUDA
7	Compass Directional Services Ltd.	400, 525 - 11th Ave SW Calgary AB T2R 0C9
8	Datalog Technology Inc.	5020 - 12A Street SE Calgary AB T2G 5K9
9	Javier Mico Giner	Notarios Narcis Giralt 57 08202 Sabadell Barcelona SPAIN
10	Latin American Human Resources	Edificio Vallarino Piso 11 World Trade Centre Republica of PANAMA

In the Matter of the Liquidation of  
PEBERCO LIMITED  
In Accordance with the Laws of Bermuda

**Creditors Mailing List**  
July 20, 2009

	Name	Address
11	Mohamed Hedi Amara	16 Square du Pont de Sèvre Boulogne Billancourt 92100 FRANCE
12	Patrice Garnier	500, 22nd Avenue, apt. 31 Île-Perrot QC J7V 5Z2
13	PLATTS	2 Penn Plaza, 25th Floor New York 10121-2298 USA
14	Price Waterhouse Coopers	Dorchester House 7 Church Street Hamilton HM 11 BERMUDA
15	Schlumberger Canada Ltd	525 - 3rd Avenue SW Calgary AB T2P 0G4
16	Schlumberger Surency S.A.	Calle 100 No. 13-21 Piso 4 Edificio Magabanco, Bogota COLOMBIA
17	SDV Logistiques (Canada) Inc.	3333 Douglas-B-Florensi Street St-Laurent QC H4S 1Y6
18	Sefor Service de Filtres Inc.	8134 Lévesque Blvd. East Laval QC H7A 1V2