

## **Fuel Supply Agreement**

This Agreement made this \_\_\_\_ day of February, 2022.

BETWEEN:

**MCDUGALL ENERGY INC.,**

a corporation incorporated under the laws of the Province of Ontario  
(hereinafter called "MEI")

-and-

**TOWNSHIP OF SOUTHGATE**

a corporation incorporated under the laws of the Province of Ontario  
(hereinafter referred to as "SOUTHGATE")

WHEREAS Southgate is desirous of obtaining from MEI its operational requirements for gasoline, clear and dyed diesel fuel as specified herein ("Fuel") through bulk deliveries by MEI;

AND WHEREAS MEI has agreed to supply Fuel upon the terms and conditions hereinafter set out;

NOW THEREFORE THIS AGREEMENT WITNESSETH that in consideration of the sum of Ten Dollars (\$10.00) and other good and valuable consideration (the receipt and sufficiency whereof are hereby acknowledged), the parties hereto hereby covenant and agree as follows:

### **ARTICLE 1. - PURCHASE AND SALE**

1.1 Southgate agrees to exclusively purchase and accept from MEI and MEI agrees to sell and deliver to Southgate, Fuel to the location(s) described in Schedule "A" attached hereto (the "Premises") in accordance and subject to each of the terms and conditions hereinafter stated.

### **ARTICLE 2. - TERM**

2.1 This Agreement shall be in effect for a term of **two (2)** years commencing on February 10, 2022 (the "Commencement Date") and ending on February 9, 2024 (the "End Date"), unless terminated sooner in accordance with the provisions of this Agreement (the "Term").

### **ARTICLE 3. - PRICE**

3.1 Southgate hereby agrees to purchase both clear and dyed diesel from MEI Fuel at \$0.00 per litre above the Suncor Toronto rack at the time that Fuel is loaded at the designated loading rack for delivery to Southgate plus all applicable taxes. The aforementioned price shall include the cost of delivery. All purchases of Fuel shall be paid by Southgate within thirty (30) days from the date of invoice.

3.2 In the event that the MEI's purchase price for Fuel is increased such that it is deemed by MEI that it no longer makes economic sense to sell Fuel to Southgate at the price set out in subsection 3.1

above, MEI shall provide Southgate with sixty (60) days written notice of its intention to negotiate a new purchase price with Southgate. In the event that the parties cannot reach mutual agreement on a new purchase price within the aforementioned sixty (60) day period, MEI may, in its discretion, provide Southgate with a minimum of thirty (30) days written notice of termination of this Agreement.

3.3 Southgate shall pay interest on any past due amounts at the rate of 2.0% monthly non-compounded so long as payment of any monies due and payable hereunder is outstanding.

3.4 Any payment made to MEI by Southgate pursuant to this Agreement shall be collected by MEI by pre-authorized debit. Southgate agrees to execute and deliver to MEI an authorization for pre-authorized debit in the form established by MEI from time to time, to facilitate the collection of payments pursuant to this Article.

#### **ARTICLE 4. - DELIVERY**

4.1 The delivery of the Fuel hereunder shall be made by truck to the Premises. Title and risk of loss with respect to deliveries shall pass to Southgate when such load is delivered into the storage tanks at the Premises.

#### **ARTICLE 5. – MINIMUM VOLUME**

5.1 Southgate agrees to purchase annually from MEI a minimum of **two hundred and fifty thousand (250,000) litres** of Fuel (the "Minimum Volume").

#### **ARTICLE 6. - LOANED EQUIPMENT** *intentionally deleted*

#### **ARTICLE 7. - OBLIGATIONS OF SOUTHGATE**

7.1 During the Term, Southgate shall:

- (a) comply with all legislation and regulations governing the handling of fuel on the Premises, including but not limited to the Technical Standards and Safety Authority Act and Environmental Protection Act, as amended from time to time; and
- (b) obtain and keep in full force and effect, at its own expense commercial general liability coverage for its Premises, products, operations, contractors and owners protections, environmental impairment, contractual liability, including hazards incidental to this Agreement, for inclusive limits of not less than \$1,000,000 for any occurrence.

#### **ARTICLE 8. - DEFAULT**

8.1 MEI may at its sole discretion terminate this Agreement without further notice or delay upon the happening of any of the following events of default:

- (a) Southgate fails to observe or perform any term or condition of this Agreement;
- (b) Southgate becomes insolvent (within the Bankruptcy and Insolvency Act) or commits or threatens to commit an act of bankruptcy or if a petition in bankruptcy, proposal, arrangement or reorganization under applicable bankruptcy legislation is filed by or against Southgate or if a receiver is appointed for Southgate.

## **ARTICLE 9. – INDEMNITY**

9.1 Save and except for negligence on the part of MEI or its employees or agents, Southgate agrees to indemnify and save MEI and its assignees and their respective directors, officers, employees, agents and affiliates, harmless from any loss, demands, costs, claims, suits or actions for any damage to property or bodily injury arising from this Agreement, including without limitation, those arising out of, in respect of or in connection with:

- (a) the operation of Southgate's business;
- (b) the storage, handling, use of fuel by Southgate; and

the discharge, disbursal, release, or escape of fuel (whether supplied by MEI or not), liquids, gases, chemicals or waste materials or other irritants, contaminants or pollutants or from any loss or damage resulting from the operations of Southgate, whether or not such injuries occur on or off site and whether arising out of the existence, installation, maintenance, condition, possession or use of any equipment by Southgate..

## **ARTICLE 10. - FORCE MAJEURE**

10.1 If the performance of this Agreement by either party hereto is delayed, interrupted or prevented by reason of any strike, labour difficulty (including strike, labour difficulty by the employees of either party hereto), lockout, accidents, fire, explosions, flood, pandemic, mobilization, war (declared or undeclared), hostilities, riots, rebellion, revolution, blockage, or any acts of government or governments or any agency thereof, acts of public enemy, acts of God, inability to secure or delay in securing supply of Fuel, equipment, materials, inability or delays in securing transportation facilities or any other cause, whether or not of the nature or character specifically enumerated above, which is beyond the control of such party:

- (a) such party shall be excused without liability from the performance of this Agreement, while and to the extent that such party is delayed by one or more of such causes; and
- (b) the performance of this Agreement shall be resumed as soon as practicable after such disability is removed.

10.2 Each party shall give notice to the other as promptly as practicable after the occurrence of any such cause and, insofar as known, the probable extent to which such party will be unable to perform or be delayed in performing its obligations hereunder, exercise due diligence to eliminate or remedy such cause delaying or interrupting its performance under this Agreement and give the other prompt notice when such cause has been eliminated or remedied.

## **ARTICLE 11. - NOTICE**

11.1 Any notice required to be given hereunder shall be sufficiently given if delivered in person, telefaxes or if sent by prepaid registered mail, addressed as follows:

- (a) if to MEI at: 421 Bay Street, Suite 301, Sault Ste. Marie, ON P6A 1X3
- (b) if to Southgate at: 185667 Grey Road 9, Dundalk, On N0C 1B0

or such other address as may be furnished in writing from time to time by either party. If notice is mailed, it shall be deemed to have been given and received on the 3rd business day following mailing.

#### **ARTICLE 12. – ASSIGNMENT**

12.1 Southgate shall not assign this Agreement in whole or in part without the express written consent of MEI. MEI may assign all or any part of this Agreement.

#### **ARTICLE 13. – BINDING EFFECT**

13.1 This Agreement shall be binding upon and enure to the benefit of the parties hereto, their respective successors and permitted assigns.

#### **ARTICLE 14. - SEVERABILITY**

14.1 If any article, section or any portion of any section of this Agreement is determined to be unenforceable or invalid for any reason whatsoever that unenforceability or invalidity shall not affect the enforceability or validity of the remaining portions of this Agreement and such unenforceability or invalid Article, section or portion thereof shall be severed from the remainder of this Agreement.

#### **ARTICLE 15. - LAW OF CONTRACT**

15.1 This Agreement shall be governed and construed in accordance with the laws of the Province of Ontario.

#### **ARTICLE 16.- ENTIRE AGREEMENT**

16.1 This Agreement constitutes the entire agreement between the parties with respect to all of the matters herein and its execution has not been induced by, nor do any of the parties rely upon or regard as material, any representations or writing whatever not incorporated herein and made a part hereof and may not be amended or modified in any respect except by written instrument signed by the parties hereto. Any schedule referred to herein are incorporated herein by reference and form part of the Agreement.

#### **ARTICLE 17.- COUNTERPARTS AND FAX/E-MAIL SIGNATURES**

17.1 This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which together shall be deemed to constitute one and the same instrument. Counterparts may be executed either in original or faxed/e-mailed form and the parties hereto adopt any signatures received by a receiving fax machine or computer as original signatures of the parties.

*[signature page to follow]*

IN WITNESS WHEREOF the parties have executed this Agreement this \_\_\_\_ day of February, 2022.

SIGNED, SEALED AND DELIVERED  
in the presence of:

**MCDUGALL ENERGY INC.**

**Per:**

\_\_\_\_\_  
Name: Frank Sarlo  
Title: VP Legal & HR  
I have the authority to bind the corporation

**TOWNSHIP OF SOUTHGATE**

**Per:**

\_\_\_\_\_  
Name:  
Title:

\_\_\_\_\_  
Name:  
Title:

\_\_\_\_\_  
Name:  
Title:

I/we have the authority to bind the Township.

**SCHEDULE "A"**  
**PREMISES**

185667 Grey County Road 9, Hopeville, On N0C 1B0

123273 Southgate Road 12, Holstein, On N0G 2A0

75 Dundalk Street, Dundalk, ON N0C 1B0

413013 Southgate Sideroad 41, Egremont, On N0C 1B0

225604 Southgate 22 Road, Dundalk, On N0C 2A0

Note: By mutual written consent, additional delivery locations can be added to the above and form part of the Premises.