

METALORE RESOURCES LIMITED

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EXECUTIVE OFFICE

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SIMCOE, ONTARIO

N3Y 4L5

February 07, 2019

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, Ontario M4P 1E4
boardsec@oeb.ca

Dear Ms. Walli:

RE: Application for a Certificate of Public Convenience and Necessity, pursuant to section 8 of the *Municipal Franchises Act*, R.S.O. 1990, c. M. 55.

Enclosed is a copy of the Application from Metalore Resources Limited for a Certificate of Public Convenience and Necessity, restricted to PT LT 16 Concession 5 Charlotteville as in NR518860 (secondly) as INNR 607884 and PT 1 37R9635; NORFOLK COUNTY. We look forward to receiving a file number from the Board.

Please contact me if you have any questions. Thank you.

Sincerely,



Armen Chilian
President / CEO
cell: (519) 427 – 4289

ONTARIO ENERGY BOARD

IN THE MATTER OF the *Ontario Energy Board Act*, S.O. 1998, C15, Schedule B, and in particular, Section 21(2) thereof;

AND IN THE MATTER OF an application by Metalore Resources Limited for a certificate of public convenience and necessity, pursuant to section 8 of the *Municipal Franchises Act*, R.S.O. 1990, c. M. 55

TABLE OF CONTENTS

	Page
Section 1 – Overview and Purpose of the Application.....	3
Section 2 – Corporate Structure.....	5
Section 3 – The Metalore Existing Natural Gas Wells and Pipeline Infrastructure.....	6
Section 4 – The New Leaf Canada Inc. Facility.....	7
Section 5 - The New Leaf Canada Inc. Facility Fuel Requirements.....	8
Section 6 – Upgrades to Existing Pipeline Systems and the Tie-In System.....	9
Section 7 - Construction Schedule.....	10
Section 8 – Ownership and Operation.....	11
Section 9 – Public Interest and Considerations.....	12
Section 10 – Order Sought.....	13

APPENDICES

Appendix 1	Map showing the location of Metalore’s gas wells and pipeline system.
Appendix 2	Maps showing the location of the New Leaf Canada Inc. Facility and property abstract.
Appendix 3	Site plan of the New Leaf Canada Inc. project facility, including meter site plot.
Appendix 4	Piping and instrumentation diagrams for proposed meter site.
Appendix 5	Proposed Tie-In System.

Section 1 – Overview and Purpose of the Application

Metalore Resources Limited (“Metalore”) has agreed to supply New Leaf Canada Inc. (“New Leaf”) with locally produced natural gas at its proposed expansion facility.

To this end, Metalore seeks a geographically limited Certificate of Public Convenience and Necessity (“Certificate”) under section 8(1) of the Municipal Franchises Act to construct works to supply gas to the proposed New Leaf facility located on the south half of Lot 16, Concession 5, Norfolk County (geographic Township of Charlotteville), with a municipal address of 1195 Charlotteville Road 5, Simcoe, Ontario N3Y 4K1. The property is owned by New Leaf. Specifically in respect of servicing the facility, Metalore has agreed to construct a pipeline system, meter and dehydrator site as described in Appendix 5. The granting of a Certificate is in the public interest as favored by the economics, complete absence of environmental impacts, no outstanding landowner issues since Metalore already pays royalties on gas leases in the area, no adverse impact on other rate payers, and Metalore is a competent builder and operator of the proposed gas supply works. The public interest considerations are set out in more detail in Section 9 of the application.

Metalore requests that the application be heard in writing and on an expedited basis in light of the anticipated construction schedule and needs of the New Leaf Facility as described in more detail in Sections 3, 6 and 7.

Background

Metalore has been producing natural gas in Ontario since 1965. It owns and operates over 80 gas wells which produce on average 520 gigajoules (“GJ”) per day in Charlotteville Township.

New Leaf has been a cannabis producer since 2013. It is currently expanding its cultivation, extraction, analytics and production facility to elevate offerings and prepare for growth into the adult-use cannabis market in Canada. The current 4,000 square feet Walsh facility is being replaced with a 31,000 square foot facility immediately to the north with the first phase of this expansion being completed by October 1, 2019. New Leaf will require only 75,000 GJ per year (limited volumes) of natural gas.

Metalore quite easily can supply the natural gas needs of New Leaf through its network of wells and pipelines. The closest gathering pipeline requires less than 800 meters of piping to reach the expansion facility. Metalore will sell natural gas directly to New Leaf for its sole use at the New Leaf facility. Both Metalore and New Leaf will benefit from this relationship, which will enable both companies to move forward profitably for years into the future.

Union Gas Limited (“Union”) has no infrastructure in the immediate area. When asked by New Leaf to supply a pipeline and works to its property, Union gave a written quote for \$260,000. Since Union is unable to supply the needed infrastructure at a cost acceptable to New Leaf, Metalore is willing to step in and make the needed infrastructure available, because 1) it is at no cost to Metalore and 2) Metalore benefits from a long term relationship as seller directly to New Leaf.

The contract rates offered by Union for Metalore's gas have not allowed Metalore to grow reserves. Union currently utilizes Metalore's gas lines to supply natural gas to 150 homes and farms (Field Line Customers (FLC's)) within Charlotteville Township. As Metalore's reserves are produced and therefore depleted, it is of benefit to Union for Metalore to gain a significantly higher price for its gas - which in turn enables additional well drilling and growth of the local gas reserve base. FLC's would maintain an uninterrupted, low pressure, local gas supply. The rates currently offered by Union's Gas Producer Agreement (GPA) do not allow Metalore the much needed income to maintain its reserve base through local exploration and development within Charlotteville Township.

Metalore will charge less than Union to supply gas to New Leaf on a long term basis. In addition to the significant financial advantage to both Metalore and New Leaf, local landowners will receive increased royalties paid on locally produced gas from their farms.

The small size of the New Leaf facility operation will have no negative effects and will benefit the municipality and result in more environmentally responsible natural gas use as opposed to purchasing gas that has originated in foreign jurisdictions. Firstly, the transportation of gas over long distances requires compression fuel and results in line losses and some wasted gas. Secondly, although many of the Metalore wells have benefitted from hydraulic fracturing of sandstone, which guarantee longevity of production for many years to come, Metalore wells are all conventional (vertical) wells, without the use of high volume, hydraulic multi-fracturing and the environmental concerns associated with unconventional method of extracting natural gas from shale formations outside of Ontario.

Section 2 – Corporate Structure

The Applicant, Metalore will remain the sole owner of all the existing natural gas production assets and related pipeline infrastructure from which the natural gas will be supplied to New Leaf. Metalore has significant experience in the natural gas production business, and the operation, maintenance, and construction of both the natural gas wells and the pipeline infrastructure. The existing pipeline infrastructure including the proposed new pipeline from the Metalore system to the gas treatment facilities located at the New Leaf facility transport raw, un-odorized natural gas and are classed as gathering lines (rather than transmission or distribution lines). Gathering lines are regulated by the Ministry of Natural Resources and Forestry Petroleum Operations Section under the Oil, Gas, and Salt Resources Act.

Once a certificate of public convenience and necessity has been granted, Metalore will further seek approvals to construct the project and facilitate the sale of gas directly from Metalore to New Leaf. Approvals may include those required from the Ministry of Natural Resources and Forestry (MNRF), Technical Standards and Safety Authority (TSSA), Measurement Canada Weights and Measures, and Norfolk County.

Metalore's team currently includes 2 senior level corporate executives, 1 professional geologist, 1 professional engineering consultant, 2 natural gas production workers, as well as qualified construction supervisors and licensed trades persons who have the requisite knowledge, experience and skill to undertake the design, construction and operation of both the existing production and pipeline system, and the proposed pipeline, dryer and meter system.

New Leaf has agreed to pay for all construction of the proposed pipeline, dryer and meter system to the facility. New Leaf has available the financial resources necessary to complete construction of the entire project. Metalore will operate and maintain the pipeline, dryer and meter system once the facility is operating.

Section 3 – Metalore’s Existing Natural Gas Wells and Pipeline Infrastructure

Metalore owns and operates over 80 natural gas wells and approximately 200 kms of existing pipeline infrastructure which is entirely regulated by the MNRF. The production from these natural gas wells is currently sold into three of Union’s meter stations (Jericho 11T508-01, Vittoria 11U602-01 and Stover 11U102-01) and to 150 field line customers. Field line customers represent homes, farms and businesses in Charlotteville Township where Metalore allows Union to sell/meter gas directly to the customer from a Metalore pipeline. Field line customers consume 10-50% of Metalore’s production, depending on factors such as seasonal harvest (tobacco drying) and winter demand.

Union does not have infrastructure in the immediate area of New Leaf, and was quoted at \$260,000. to supply a main pipeline, but only to the base of the road entrance of the facility at 1195 Charlotteville Road 5. In contrast, Metalore does have infrastructure close by (within 800 metres) on private property, such that there are no roadways, streams or utilities between Metalore’s existing pipeline and the facility. As a result, gas for the facility can be produced from the immediate vicinity by Metalore, and therefore provides significantly less of a cost burden to supply, than can be achieved by Union.

A map showing the location of the wells and pipeline facilities that will supply natural gas to New Leaf is found at Appendix 1.

Section 4 – The New Leaf Vittoria Facility

a) Location

The New Leaf Walsh Facility is located at 1195 Charlotteville Road Concession 5, Simcoe Ontario in the geographical township of Charlotteville, in Norfolk County.

The legal description is: PT LT 16 CONCESSION 5 CHARLOTTEVILLE AS IN NR518860 (SECONDLY) AS INNR 607884 AND PT 1 37R9635; NORFOLK COUNTY

Maps showing the location of the Walsh Facility are found at Appendix 2a and 2b

A site plan of the Walsh Facility is found at Appendix 3.

Section 5 – The New Leaf Walsh Facility Fuel Requirements

a) Peak Gas Consumption

The New Leaf Walsh Facility will be a small consumer of natural gas consisting of a greenhouse growing operation and a production facility. Upon completion and under peak operating conditions, the New Leaf Walsh Facility will require 8.6 GJ per hour of natural gas.

Metalore's existing natural gas wells with pipeline infrastructure will easily accommodate the fuel requirements of the New Leaf Walsh Facility which produce 20.8 GJ per hour of natural gas.

b) Total Gas Use

The New Leaf Walsh Facility will consume natural gas for co-generation to service greenhouse processes and similar operations. Gas consumption will vary both hourly and daily, depending upon exterior environmental conditions, greenhouse process operational set points and power requirements. At peak capacity with natural gas fired generators, total annual gas use is expected to be in the range of approximately 75,000 to 90,000 GJ.

c) Required Delivery Pressure

The New Leaf Walsh Facility will use natural gas as fuel for internal combustion engines which drive generators. These facilities only require natural gas supply pressure of 11 to 20 psi. As such, the Metalore natural gas entering the New Leaf Walsh Production Facility will be designed with a minimum 11 psi delivery pressure. The Metalore pipeline network that collects and transports natural gas from individual wells to the Tie-in System can operate at pressures as high as 135 psi. Any excess pressure in the Metalore system will be reduced at the Tie-in System to match the New Leaf Walsh Production Facility pressure requirements as it varies.

Section 6 – Upgrades to Existing Pipeline Systems and the Tie-in System

The total capital cost of the Tie-in System to allow suitable quantities of gas to be delivered to the New Leaf Walsh Facility, is estimated to be \$150,000.

The Tie-In System will require a meter site on New Leaf's Property, for which Metalore is seeking the Certificate of Public Convenience and Necessity, which will include the following:

- Installation of a separator/dehydrator to remove excess moisture from the gas
- Installation of a gas odourizer
- Installation of a gas meter to measure the volume of gas being delivered to the production facility.
- Piping, valves and regulators at the meter site.

Meter site plot plan can be found within the Site Plan at Appendix 3.

Piping and instrumentation diagram can be found on the Site Plan Appendix 4a and 4b.

The proposed Tie-in System diagram is shown at Appendix 5.

Upgrades to the existing pipeline system will include the installation of approximately 1700 metres of new 3" high density polyethylene pipeline along boundaries of four private properties. Metalore currently pays annual royalties to all four land owners who each have instructed Metalore where to install the pipeline on their respective properties.

Section 7 – Construction Schedule

Construction of the New Leaf Walsh Facility has commenced with survey and site preparation, with the following construction schedule:

- Phase 1 Operational September 1, 2019

The expanded New Leaf Walsh Facility has a need for the natural gas produced by Metalore in mid 2019. As such it would be preferable for the upgrades to the existing pipeline system and the Tie-in System described to be completed by August 1, 2019 at the latest to meet this requirement. Upgrades to the existing pipeline system are planned to run from July 15, 2019 to July 30, 2019. The proposed Tie-In System construction of works to supply gas to the New Leaf Walsh Facility is scheduled to commence in July 15 and be completed by July 30 2019. This construction timeline is subject to the OEB approval of the Limited Franchise Certificate Application herein. We would ask that the OEB deal with this matter in an expedited basis to prevent a delay in schedule.

Section 8 – Ownership and Operation

Metalore owns all existing gas wells and pipeline infrastructure as well as the proposed Tie-In System. New Leaf has agreed to pay for all costs, from planning to construction, of all piping and metering facilities from Metalore's 3" gas line along Turkey Point Road, 2500 metres eastward, to the New Leaf facility. Metalore will continue to own, maintain and operate the pipeline and meter site throughout the existence of the New Leaf Walsh facility by its production team of industry professionals being available as required, and expert consultants being utilized as necessary. These operations staff will be the same employees who currently service Metalore's wells and are very familiar with the infrastructure and operations.

The O&M and compliance activities related to the operations and the proposed Tie-in System will include:

- a) developing and maintaining the operations and procedures manual;
- b) developing and maintaining an Emergency Response Plan;
- c) developing and maintaining an Operator Qualification Program;
- d) developing and maintaining a Pipeline Integrity Management Program;
- e) completing and submitting reports to government agencies as required;
- f) insuring all provided personnel are qualified in the Operator Qualification Program;
- g) providing all equipment, transportation, material and supplies necessary to perform routine services;
- h) performing and documenting Leak Surveys;
- i) documenting and classifying any leaks discovered;
- j) performing and documenting all Cathodic Protection System inspections, tests and surveys at required frequency;
- k) performing and documenting valve maintenance at required frequency;
- l) performing and documenting Over Pressure Protection testing at required frequency;
- m) providing a phone number for emergency notification;
- n) responding to and participating in all agency compliance audits and inspections;
- o) providing labour and supervision for pipeline maintenance;

Tasks performed by service personnel will include:

- a) dehydration equipment operations or maintenance;
- b) communication equipment installation or maintenance;
- c) gas measurement equipment installation or maintenance;
- d) facility painting beyond routine spot painting;
- e) insuring all provided personnel are qualified in the Operator Qualification Program;
- f) providing pipeline and meter station emergency response personnel.

Section 9 – Public Interest Considerations

Metalore and New Leaf are two independent corporations that will form a long-standing relationship. This relationship will benefit both companies and have no impact on current or future Ontario natural gas users.

The Metalore-New Leaf relationship will have several very positive and long-standing benefits to the local economy and to Ontarians:

Firstly, as discussed under Section 1 in more detail, the Metalore – New Leaf relationship will result in more environmentally responsible natural gas. Local Ontario gas will be used at the New Leaf Facility which does not require high volume hydraulic fracturing nor does this locally produced gas require transportation over long distances. This Ontario gas production also directly enriches the local economy through land lease payments and production royalties paid to landowners.

Secondly, the Metalore-New Leaf arrangement, if granted a geographically limited certificate will have the capability of supplying the New Leaf Facility with all the required gas volumes to operate the facility from existing reserves. The operation will create numerous jobs and other economic benefits to the local community. The Metalore-New Leaf service connection will not affect Union's current or future rate payers.

Thirdly, through the Metalore-New Leaf arrangement, New Leaf will decrease costs through a lower gas price while Metalore will grow its reserves through additional exploration and production. This will result in more sustainable operations and local jobs as well as increased taxation dollars to both the Ontario government and the local municipalities.

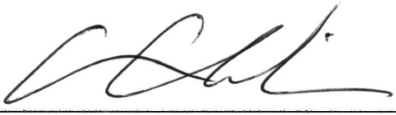
Fourthly, as set out in Section 8 above, Metalore is a competent builder and operator, having been in the business since 1965.

Section 10 – Order Sought

The Applicant seeks:

- (i) a Certificate of Public Convenience and Necessity under section 8 of the Municipal Franchises Act limited in geographical scope to the lands known as PT LT 16 Concession 5 Charlotteville as in NR518860 (secondly) as INNR 607884 and PT 1 37R9635; NORFOLK COUNTY to allow Metalore to sell natural gas from their well and pipeline system directly to New Leaf and for the construction of the Tie-in System.

ALL OF WHICH IS RESPECTFULLY SUBMITTED BY:



Metalore Resources Limited

per: Armen Chilian, President

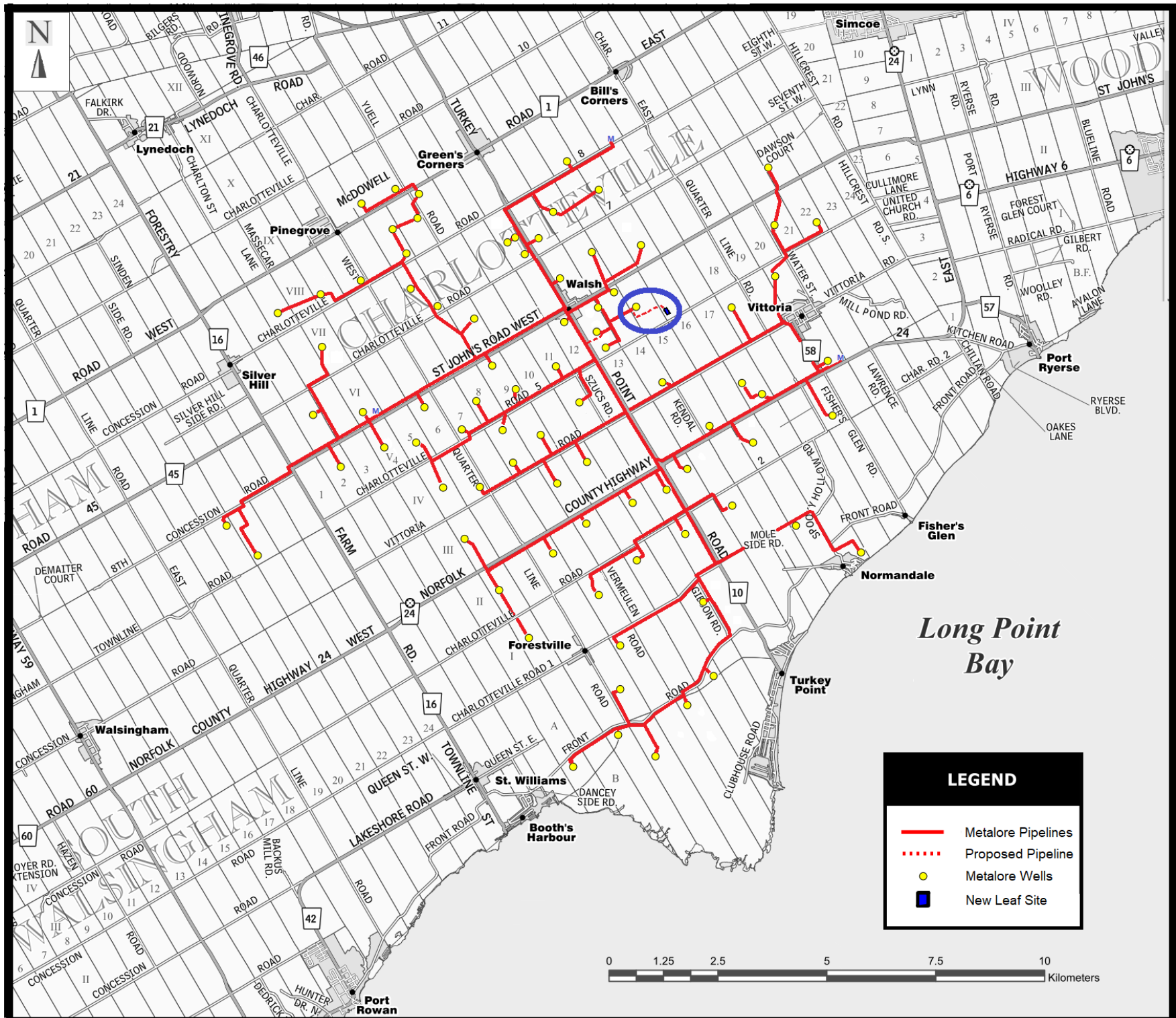
in agreement with



New Leaf Canada Inc.

per: Ryan VandenBussche, President

Appendix 1



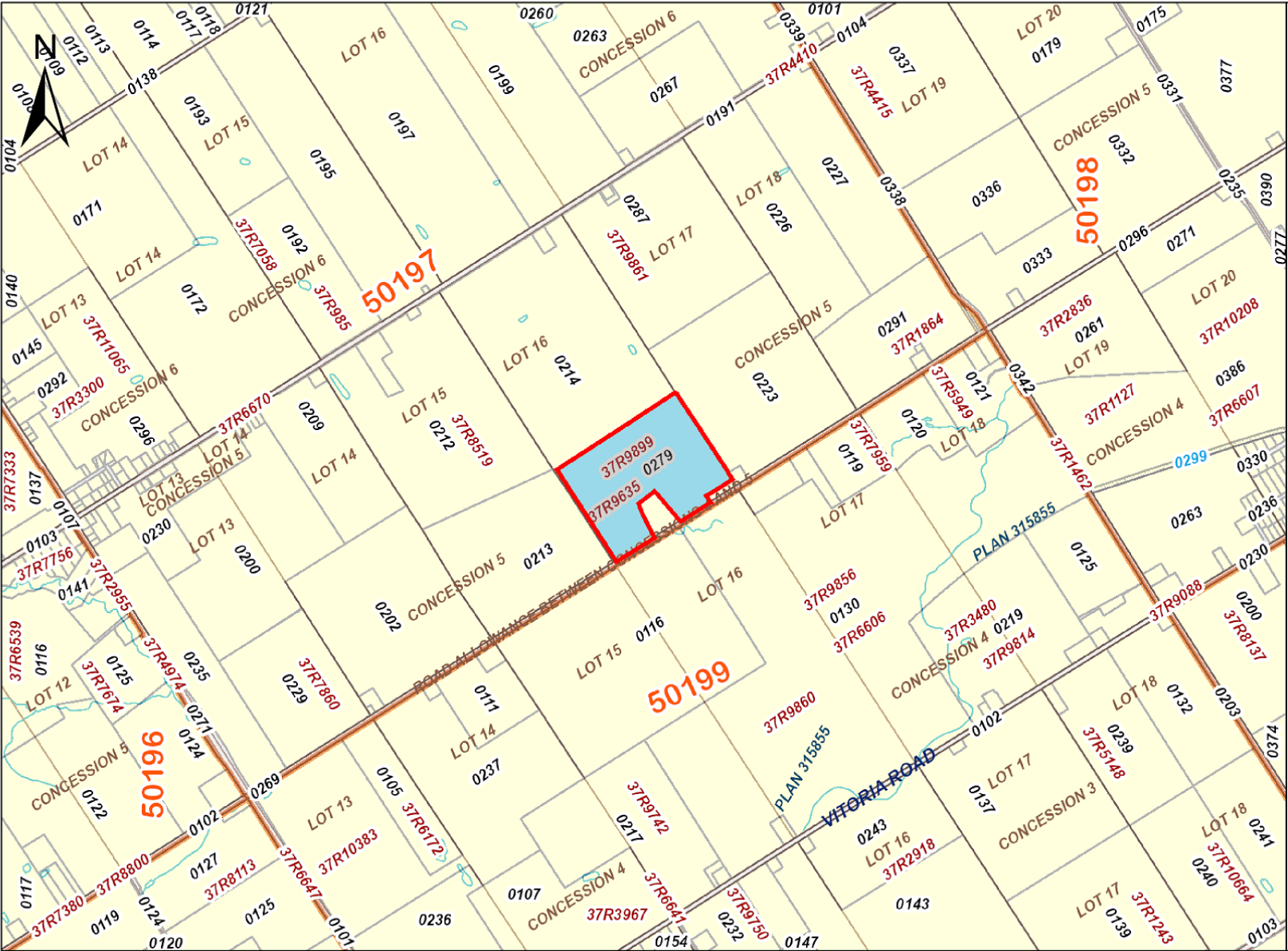
Appendix 2a

New Leaf Site



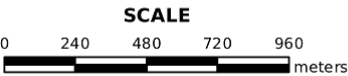
New Leaf Site
1195 Charlotteville Rd 5
Vittoria, Ontario

Appendix 2b



ServiceOntario

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FOR 1



PROPERTY INDEX MAP
NORFOLK(No. 37)



THIS IS NOT A PLAN OF SURVEY

NOTES

REVIEW THE TITLE RECORDS FOR COMPLETE
PROPERTY INFORMATION AS THIS MAP MAY
NOT REFLECT RECENT REGISTRATIONS

THIS MAP WAS COMPILED FROM PLANS AND
DOCUMENTS RECORDED IN THE LAND
REGISTRATION SYSTEM AND HAS BEEN PREPARED
FOR PROPERTY INDEXING PURPOSES ONLY

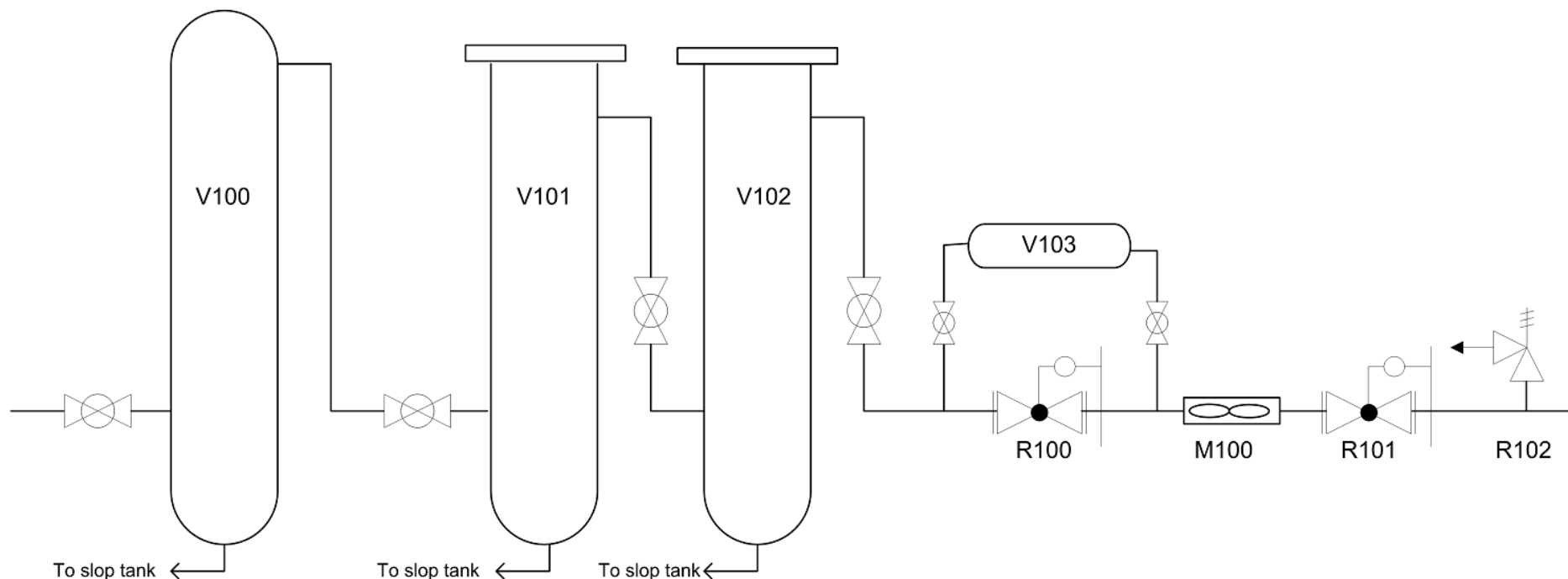
FOR DIMENSIONS OF PROPERTIES BOUNDARIES SEE
RECORDED PLANS AND DOCUMENTS

ONLY MAJOR EASEMENTS ARE SHOWN

REFERENCE PLANS UNDERLYING MORE RECENT
REFERENCE PLANS ARE NOT ILLUSTRATED



NEW LEAF TRANSFER STATION MAJOR EQUIPMENT P&ID



Equipment List

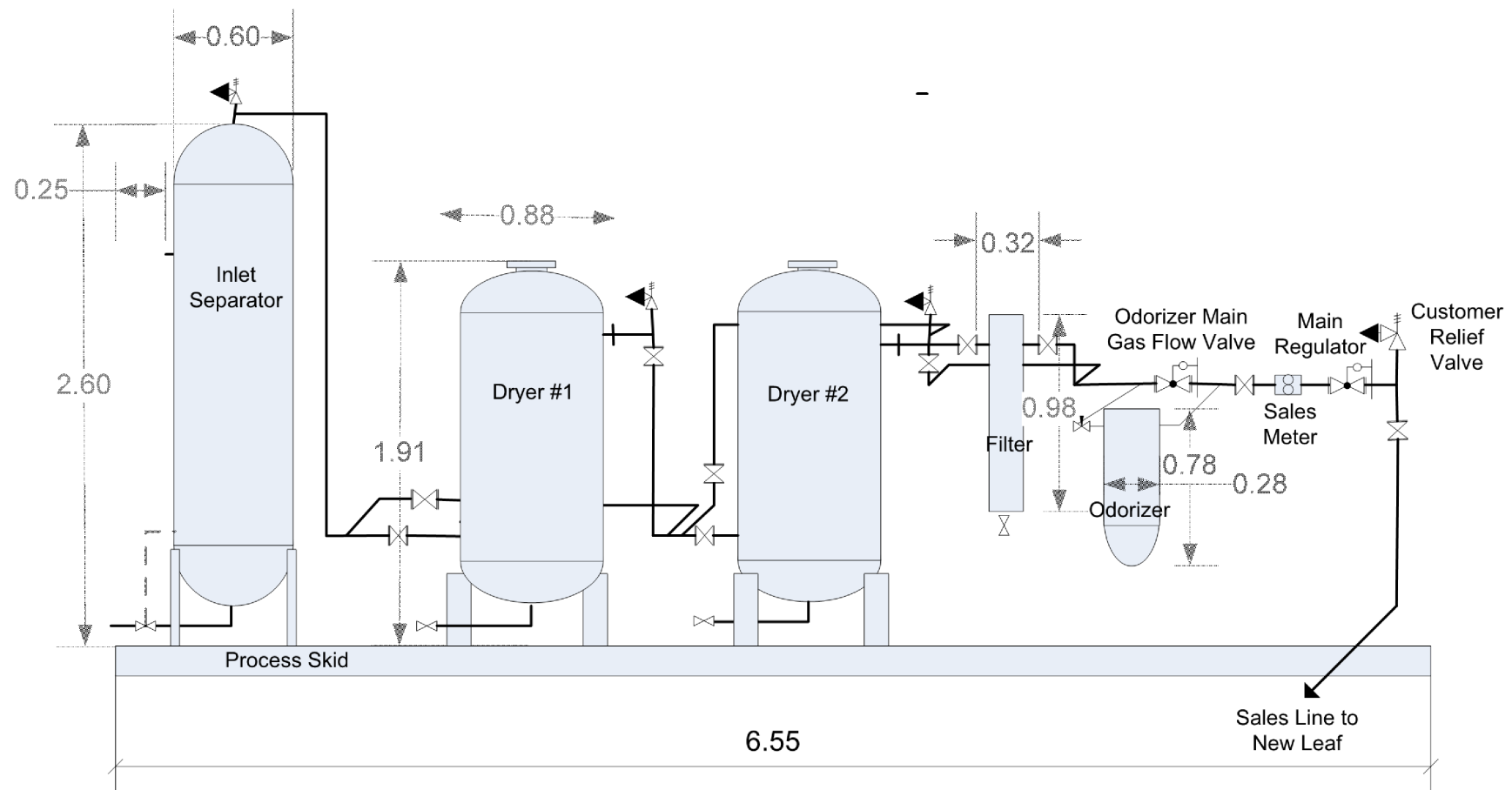
- V100 – Inlet Separator
- V101 – Van Air Rough Filter
- V102 – Van Air Polishing Filter
- V103 – Mercaptan Sweep Tank
- R100 – Sweep Tank Regulator
- T100 – On-site Slop Tank (not shown)
- M100 – Custody Transfer PD/Turbine Meter
- R101 – Main Cut Regulator
- R102 – Customer Pipeline Relief Valve

New Leaf Gas Treating Skid

Drawing Dimensions in meters

Major Equipment Specs:

- 1) Inlet Separator: 24" Diam x 7 ft High, 275# WP, 2" NPT Gas Inlet & Outlet, 2" NPT Liquid Drain and Float
- 2) Dryer #1: 24" Diam x 80" High, 275# WP, 3" 150 ANSI Gas Inlet & Outlet, 2" NPT Liquid Drain, Contains SP Desiccant
- 3) Dryer #2: 24" Diam x 80" High, 275# WP, 3" 150 ANSI Gas Inlet & Outlet, 2" NPT Liquid Drain, Contains 10BF Desiccant
- 4) Filter: F101-500 Filter, 11.875" inlet to outlet, 2" NPT Gas Inlet and Outlet, ½" NPT Drain
- 5) Odorizer: Model 2B: 10 3/4" Diam x 30" High, 300# WP, 1" NPT Gas Inlet and Outlet
- 6) Odorizer Main Gas Flow Valve: TBD
- 7) Sales Meter: TBD
- 8) Main Cut Regulator
- 9) Customer Pipeline Relief Valve



Appendix 5

