

2023-April-24

Mr. Josh Teigen, Commissioner of Commerce

State of North Dakota, Commerce

1600 E. Century Ave.,

Suite 2,

PO Box 2057

Bismarck, ND

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Non-Binding Commitment Letter to develop an Ammonia and Fertilizer Facility in North Dakota

Dear Sir,

In response to your request last week, we have reviewed our portfolio plan, and after review with our Cerilon-Advisory Committee, Cerilon Inc. ("Cerilon") is pleased to provide this nonbinding commitment to work jointly with the State of North Dakota to develop an Ammonia and Fertilizer project in Trenton, North Dakota. We are confident that we will be able to provide a substantial benefit to the State in the speed of delivering such a project to completion and thereafter needed fertilizer products to the market.

Cerilon strives to deliver sustainable prosperity to benefit our stakeholders and the communities in which we do business and would plan to include these values and benefits as part of this project delivery.

This commitment is indicative only and any advancement of the Ammonia and Fertilizer project is contingent on a number of material factors still to be determined including appropriate economic and commercial arrangements, appropriate capacity and size of the facility, and determining offtake arrangements for the project. Until such time as Cerilon, or an affiliate, has executed a definitive agreement with the State of North Dakota nothing in this letter shall be construed as a binding commitment or obligation on Cerilon to proceed with, or otherwise advance, the Ammonia and Fertilizer project as described herein.

The main driver for our interest and ability to work with the State on this project is Cerilon's access via the Cerilon GTL project to a number of positive infrastructure synergies that will support the rapid development of an Ammonia and Fertilizer project. These synergies include:

- The site we have procured could potentially be utilized for the Ammonia project. Our project site has been approved zoned by Williams County for industrial use conditional on the Conditional Use Permit. The environmental baseline study for the site has been completed by BARR Engineering. Similarly, the initial geotechnical survey for the site was completed.
- Cerilon GTL is planning for the supply of 0.5 bcf/day of gas to the site that can be accelerated if required.

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- Cerilon is developing a Carbon Capture and Sequestration (CCS) capability and has already confirmed with the EERC that we have sites available to sequester all the CO₂ from the GTL Phase 1 and 2 and the potential Ammonia project.
- Cerilon has partnered with ABB to provide the operational and Integrated Manufacture Execution System (IMES) for the GTL which could also be extended to the Ammonia facility.
- Cerilon affiliates have signed the required NDAs for what may be the optimal available Ammonia and Urea technology needed to be licensed and the related engineering that will be required to proceed.
- The Cerilon GTL site is adjacent to the Savage railyard and will have the capacity to load and transport the products in North Dakota. The storage strategy will still need to be simulated and optimized.
- Cerilon GTL has completed an initial logistics study for the transport of equipment to the site and will expand on this logistics later with a detailed transport study.
- Cerilon GTL is already in discussions with the Air Separation Unit (ASU) providers and has a proposal for the delivery of ASUs to the site in hand.
- Cerilon has had conversations with potential offtakers of the Ammonia.
- Cerilon can tap into our existing team for the technical and operational experience of such facilities.
- Cerilon GTL will provide infrastructure and services benefits and the site will already have medical and emergency services provided to the Cerilon GTL project.

The above list is not exhaustive of the synergies and benefits that Cerilon can bring to this Ammonia/Fertilizer project. In light of the substantial work expended to date to generate these synergies and the corresponding acceleration thereby in the likely total project 'in service' date, the final commercial arrangements between Cerilon, Cerilon's GTL Project, and the Ammonia/Fertilizer Project will recognize the value for making these synergies and benefits available to the Ammonia/Fertilizer Project.

There are several significant risks to financing this project which must be resolved in order for the project to proceed. Facilitation of credit support via the State of North Dakota directly or via other credible parties backed by the State would assist in resolving these issues.

The following are some of the important milestones/deliverables to be considered and flushed out in due course:

- Legal Structure- The setup of the entity to manage the development and supply of the fertilizer project, and the respective ownership interests are to be agreed.
- Gas supply to the venture- Cerilon intends to provide through the support of its global energy partner.
- Technology licensing- Cerilon intends to license the latest technologies with guarantees from global licensors.
- Project Management, Development- Cerilon will provide a specialist development team to support the complex delivery of such a project. Cerilon would intend to appoint its affiliate ND Ventures Ltd. as its project manager.
- Product Offtake- Cerilon intends to negotiate an offtake agreement with credit-worthy buyers of the products.
 - Will require volume certainty that all products proceed will be bought.

- Pricing certainty or risk mitigation to provide a band of prices that will benefit the farmers and provide certainty on the business case. Different models are to be agreed. Recent volatility in pricing is a risk to be mitigated.
- Cerilon has already had conversations with the Ammonia offtakers from Japan and could enter into agreements within a short period of time.
- Cerilon intends to explore the possibilities of the Farmer's Unions or the State providing the offtake certainty for the products.
- Logistics- Logistics to supply the feedstock and supply the products to the markets- On both counts, Cerilon has the relationships in place to move this forward and has the capacity to supply the service with credit-worthy partners.
- Development capital- Cerilon has invested already to provide the synergies and could expand this further. The Ammonia Fertilizer Plant requires in the order of \$100 to \$120 million for the development up to the Final Investment Decision (FID) over the next 24 months.
- State Incentives-Incentive package provided by the State of North Dakota similar to the Cerilon GTL project would make this an attractive business case.
- Financing- Full Project Financing, on terms acceptable to the financial markets at the time of the necessary fundraising.
- CCS access and support for a low carbon Ammonia and Fertilizer project. Cerilon has the confirmation of the CCS capability and is working with partners to put this in place.

Our commitment to delivering such a completed project is dependent on a number of factors still to be confirmed including those described in the milestone listed above. All of those conditions will also need to address the uncertainties of the fluid market to make the project feasible.

We are looking forward to working with the State of North Dakota to provide Ammonia and Fertilizer to the community.

Sincerely,



Nico

Nico Duursema

CEO, Cerilon

Cc Ron Opperman
Peter Farkas
Jeff Pendrel