

COURT FILE NUMBERS

25-2979735 / B201-979735

COURT

COURT OF KING'S BENCH OF ALBERTA

JUDICIAL CENTRE

CALGARY



IN THE MATTER OF THE *BANKRUPTCY AND INSOLVENCY ACT*, RSC 1985, c B-3, AS AMENDED

NB
C110202

APPLICANTS

AND IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF GRIFFON PARTNERS OPERATION CORP., GRIFFON PARTNERS CAPITAL MANAGEMENT LTD., GRIFFON PARTNERS HOLDING CORP., 2437801 ALBERTA LTD., 2437799 ALBERTA LTD., 2437815 ALBERTA LTD., STELLION LIMITED, and SPICELO LIMITED

DOCUMENT

THIRD REPORT OF ALVAREZ & MARSAL CANADA INC. IN ITS CAPACITY AS PROPOSAL TRUSTEE UNDER THE NOTICE OF INTENTION TO MAKE A PROPOSAL

OCTOBER 31, 2023

ADDRESS FOR SERVICE AND
CONTACT INFORMATION OF
PARTY FILING THIS
DOCUMENT

PROPOSAL TRUSTEE

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TRUSTEE**

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INTRODUCTION

1. On August 25, 2023, Griffon Partners Operation Corp. (“**GPOC**”), Griffon Partners Holding Corp. (“**GPHC**”), Griffon Partners Capital Management Ltd. (“**GPCM**”), 2437801 Alberta Ltd. (“**801 AB**”), 2437799 Alberta Ltd. (“**799 AB**”), 2437815 Alberta Ltd. (“**815 AB**”), Stellion Limited (“**Stellion**”)¹, and Spicelo Limited (“**Spicelo**”) each filed Notices of Intention to Make a Proposal (“**NOI**” or the “**Filing**”) pursuant to subsection 50.4(1) of the *Bankruptcy and Insolvency Act*, RSC 1985, c B-3, as amended (the “**BIA**”). Alvarez & Marsal Canada Inc. consented to act as Trustee under the Proposal (“**A&M Canada**” or the “**Proposal Trustee**”). For the purposes of this third report of the Proposal Trustee (the “**Third Report**” or “**this Report**”), GPOC, Spicelo and the Holding Companies are collectively referred to as the “**Companies**”.
2. Pursuant to section 50.4(8) of the BIA, the initial NOI period during which the Companies were required to file a proposal under the NOI proceedings was from August 25, 2023 to September 24, 2023 (the “**Initial NOI Period**”).
3. On September 22, 2023, the Court granted an order, among other things:
 - a) authorizing that the eight NOI proceedings for the Companies (collectively, the “**NOI Proceedings**”) be administratively consolidated and continued under Estate No. 25-2979735 / Court File No. B201-979735 (GPOC’s estate);
 - b) approving the appointment of Alvarez & Marsal Canada Securities ULC, as the Companies’ restructuring advisor (the “**Restructuring Advisor**”);
 - c) granting a charge on the assets, property and undertakings of the Companies (collectively, the “**Property**”) not to exceed \$500,000 (the “**Administration Charge**”) as security for the fees and costs of the Proposal Trustee, its independent legal counsel, legal counsel to the

¹ GPHC, GPCM, 801 AB, 799 AB, 815 AB and Stellion are collectively referred to as the “**Holding Companies**”.

Companies, and the Restructuring Advisor, such charge to be in priority to all other security interests, liens and other encumbrances; and

- d) extending the Initial NOI Period, within which the Companies are required to file a proposal to its creditors, up to and including November 8, 2023.

4. On October 18, 2023, the Court granted an order approving a sales and investment solicitation process (“**SISP**”) and authorizing and directing the Restructuring Advisor to implement the SISP.

5. On October 30, 2023, the Companies served a notice of application to the service list of interested parties in this matter, seeking among other things:

- a) approval of a proposed key employee retention plan (“**Proposed KERP**”);
- b) granting a charge on the Property not to exceed \$100,000 (the “**Proposed KERP Charge**”) as security for the Proposed KERP, such charge to be in priority to all other security interests, liens and other encumbrances with the exception of the Administration Charge;
- c) approval of the Proposal Trustee’s fees and disbursements up to October 15, 2023 and its counsel’s fees and disbursements up to October 6, 2023; and
- d) an extension of the period of time within which the Companies are required to file a proposal to its creditors up to and including December 23, 2023.

PURPOSE

6. The purpose of this Third Report is to provide this Honourable Court and the Companies’ stakeholders with the Proposal Trustee’s considerations and recommendations with respect to the following:

- a) the activities of the Companies and of the Proposal Trustee since the filing of the second report dated October 11, 2023 (the “**Second Report**”);
- b) the Proposed KERP and the Proposed KERP Charge;

- c) GPOC's cash flow actual receipts and disbursements as compared to the cash flow statement outlined in the first report of the Proposal Trustee dated September 18, 2023 (the "**First Report**");
- d) GPOC's revised cash flow projection for the weekly period from October 21, 2023, to January 19, 2024 (the "**Revised GPOC CF Forecast**");
- e) the Companies' request for the approval of the Proposal Trustee's fees and disbursements up to October 15, 2023 and its counsel's fees and disbursements up to October 6, 2023; and
- f) the Companies' request for an extension of the First NOI Period to December 23, 2023 (the "**Proposed Second NOI Period Extension**").

TERMS OF REFERENCE

- 7. In preparing this Report, the Proposal Trustee has relied upon unaudited financial information and other information provided by the Companies and other third parties. The Proposal Trustee has not performed an audit, review, or other verification of such information. An examination of the financial forecast as outlined in the *Chartered Professional Accountants of Canada Handbook* has not been performed.
- 8. Future oriented financial information relied upon in this Report is based on the Companies' assumptions regarding future events and actual results achieved will vary from this information and the variations may be material.
- 9. This Report should be read in conjunction with the materials filed in support of the application for a stay extension, including the affidavit of Mr. Daryl Stepanic ("**Mr. Stepanic**") sworn October 30, 2023. These documents, together with other information regarding the NOI Proceedings, have been posted on the Proposal Trustee's website at www.alvarezandmarsal.com/griffonpartners ("**Website**").
- 10. All references to dollars are in Canadian currency unless otherwise noted.

LIMITATION IN SCOPE OF REVIEW

11. The Report has been prepared by the Proposal Trustee pursuant to the rules and regulations set out in the BIA. The BIA provides that the Proposal Trustee shall incur no liability for any act or omission pursuant to its appointment or fulfillment of its duties, save and except for gross negligence or wilful misconduct on its part.
12. This Report is not and should not be construed or interpreted as an endorsement, comment or recommendation to any creditor, prospective investor, or any persons to advance credit and/or goods and services or to continue to provide credit and/or goods and services or to lend monies to the Companies during these proceedings and/or at any other time.
13. The Proposal Trustee has not audited or reviewed the assets of the Companies, and with respect to such assets, has relied to a significant degree upon information provided by the Companies.
14. The Proposal Trustee is specifically not directed or empowered to take possession of the assets of the Companies or to manage any of the business and affairs of the Companies.

ACTIVITIES OF THE COMPANIES AND OF THE PROPOSAL TRUSTEE

15. Since the filing of the Second Report, the Proposal Trustee and the Companies' management ("**Management**") have engaged in the following activities:
 - a) various discussions between Management, the Proposal Trustee, Torys LLP ("**Torys**") and the Companies' legal counsel relating to matters relevant to the NOI Proceedings;
 - b) communications and meetings between Management, the Proposal Trustee, Torys, the Companies' legal counsel and the Restructuring Advisor relating to the implementation of the SISP;
 - c) review and provide comments on SISP materials prepared by the Restructuring Advisor and the Company;

- d) communication between the Proposal Trustee, Signal Alpha C4 Limited (“**Signal**”) and Trafigura Canada Limited (“**Trafigura**”) (together, the “**Senior Secured Lenders**”) relating to matters relevant to the NOI Proceedings and the Companies’ operations;
 - e) various communication and meetings between the Proposal Trustee, the Restructuring Advisor and respective counsel to the Companies and to the Proposal Trustee regarding the implementation of the SISP;
 - f) multiple communications and ongoing meetings between Management, the Proposal Trustee and Sproule Asset Management (“**Sproule**”) respecting the Companies’ operations and financial cash flow reporting; and
 - g) ongoing monitoring of the Companies’ financial affairs, and other activities by the Proposal Trustee.
16. A&M Corporate Finance reached out to 218 parties (80 financial and 138 strategic) via email commencing October 25, 2023, and also published press releases in the Daily Oil Bulletin and BOE Report with links to the Proposal Trustee’s website containing the Teaser, NDA and SISP Procedures. Additionally, on October 31, 2023, a press release will be published in The Globe and Mail National edition. Although the SISP just launched, to date, seven (7) NDAs have been executed, while an additional five (5) are currently being negotiated between the Companies and interested parties, with 25 additional participants requesting calls the week of October 30, 2023..

KEY EMPLOYEE RETENTION PLAN

17. The Proposal Trustee has identified one individual, Mr. Daryl Stepanic, as a key employee (“**Mr. Stepanic**” or the “**Key Employee**”) who is critical to the Companies’ restructuring efforts, supporting the SISP and managing the day-to-day operations.
18. In order to retain and incentivize the Key Employee as a full-time contractor, a Proposed KERP has been developed. Under the provisions of the Proposed KERP,

the Key Employee will receive a pre-determined amount, payable upon achieving two milestones:

- a) the Final Bid Deadline (as defined in the SISP); and
- b) the closing of a sale or refinancing transaction under the SISP.

19. The maximum aggregate amount of payments under the Proposed KERP is \$100,000. The Proposal Trustee compared the Proposed KERP terms with those in other recent CCAA and NOI proceedings (including an analysis of quantum compared to salary and number of employees) and the Proposed KERP amount is within the range of other approved KERP terms in these comparable proceedings.
20. The Proposed KERP was developed in consultation with the Proposal Trustee, and its legal counsel. The Proposal Trustee is of the view that the Proposed KERP is reasonable and appropriate in the circumstances for the following reasons:
 - a) Mr. Stepanic is the only full-time contractor of GPOC, and his involvement has been and will continue to be critical to the success of these NOI Proceedings;
 - b) it will provide stability to the business and provides continuity of leadership and knowledge during the pendency of the NOI Proceedings by encouraging the Key Employee to remain with GPOC for a reasonable period of time;
 - c) the Key Employee is critical to the efficient and cost-effective execution of the SISP and his participation should enhance or maximize realizations for the benefit of stakeholders;
 - d) identifying replacement management with the requisite sector experience and knowledge of the underlying business is not desirable nor practical in the short-term;
 - e) the maximum aggregate amount of payments under the Proposed KERP is proportionately reasonable to the size and nature of the business and the milestones are consistent with the timeline set out in the SISP; and

- f) the Proposal Trustee considered the Proposed KERP terms and compared them with those in other recent CCAA and NOI proceedings, and is satisfied that the quantum of the payment and the terms of the Proposed KERP are commercially reasonable and are not ‘off-market’ in the circumstances.
- 21. The Companies’ pending application provides for a Proposed KERP Charge in an amount not to exceed \$100,000 in favour of the Key Employee as security for all amounts becoming payable under the Proposed KERP. The Proposed KERP Charge is to rank second, only subject to the Administration Charge.

Ranking of the charges

- 22. The priorities of the charges, as among them, shall be as follows:
 - a) First: Administration Charge, up to the maximum amount of \$500,000; and
 - b) Second: Proposed KERP Charge, up to the maximum amount of \$100,000.
- 23. The Proposed KERP Charge shall constitute a charge on the Property and such Proposed KERP Charge shall rank in priority to all other security interests, trusts, liens, charges, encumbrances, and claims of secured creditors, statutory or otherwise, in favour of any person subject only to the Administration Charge.

INITIAL CASH FLOW STATEMENTS TO ACTUAL CASH FLOW RESULTS

- 24. Management, with the assistance of the Proposal Trustee, prepared the Initial Cash Flow Statements for the Companies for the period of August 26, 2023 to December 1, 2023 (“**Initial Forecast Period**”).
- 25. Actual receipts and disbursements for GPOC for the eight-week period ending October 20, 2023 (the “**Reporting Period**”), as compared to the Initial Forecast Period, are summarized in the following table:

Eight-Week Cash Flow ending October 20, 2023				
\$CAD 000's	Forecast	Actuals	Variance	Notes
Cash Receipts				
Sales (production settlement)	2,170	2,392	222	<i>a</i>
Other receipts	-	65	65	
Total cash receipts	2,170	2,457	287	
Cash Disbursements				
Field contract operator payments	(298)	(301)	(3)	
Office contract consultant payments	(308)	(441)	(133)	<i>b</i>
Operating and transportation	(1,661)	(460)	1,201	<i>c</i>
Drilling, facilities and other acquisitions	-	-	-	
Abandonment and reclamation	(75)	-	75	<i>d</i>
Surface and mineral leases	(109)	(97)	12	
Royalties	(1)	-	1	
Property and carbon taxes	(8)	-	8	
General and administrative	(39)	(64)	(25)	
GST remittance	(23)	-	23	
Pre-filing professional fees	(235)	(199)	36	
Companies' counsel fees	(225)	(193)	32	
Proposal Trustee's fees	(225)	(235)	(10)	
Proposal Trustee's counsel's fees (and retainer)	(105)	(101)	4	
Restructuring advisor fees (and retainer)	-	(172)	(172)	<i>e</i>
Total cash disbursements	(3,312)	(2,263)	1,049	
Net Cash Flow	(1,142)	194	1,336	
Net Change in Cash				
Beginning of period	1,935	1,971	36	
Net Cash Flow	(1,142)	194	1,336	
Ending of period	793	2,165	1,372	

26. During the Reporting Period, the primary variances include:
- a) permanent variances relating to production receipts due to increased commodity prices;
 - b) temporary timing variances relating to a retainer paid to Sproule for their ongoing office contract consulting services;
 - c) temporary timing variances relating to the payment of operating and transportation expenses (forecast reflected higher percentage of vendors requiring prepaid deposits);
 - d) temporary timing variances relating to abandonment and retirement spend obligated to be paid in the province of Saskatchewan; and

e) the Restructuring Advisor fees were not included as a specific cash flow line items to the GPOC's Initial Cash Flow Statements as it was prepared in connection with the Filing, filed with the Office of the Superintendent of Bankruptcy and utilized in the First Report. Notwithstanding, the Proposal Trustee made reference to the Restructuring Advisors estimated fees in paragraph 57 to the First Report, as an additional cash outflow expected to occur. The fees paid to the Restructuring Advisor are for services incurred up to October 7, 2023, which includes an initial \$50,000 retainer paid to the Restructuring Advisor in accordance with the engagement.

27. Spicelo and the Holding Companies do not have any operations and have had no receipts or disbursements over the Reporting Period.

REVISED GPOC CASH FLOW STATEMENT

28. Management, with the assistance of the Proposal Trustee, prepared the Revised GPOC CF Forecast for the period from October 21, 2023 to January 19, 2024 (**"Subsequent Forecast Period"**). The notes to the Revised GPOC CF Forecast are an integral part of, and should be read in conjunction with, the Revised GPOC CF Forecast. The Revised GPOC CF Forecast is attached hereto as Appendix **"A"**.

29. A summary of the Revised GPOC CF Forecast is below:

13-Week Cash Flow Forecast ending January 19, 2024		13-week total
\$CAD 000's	Notes	Total
Cash Receipts		
Sales (production settlement)	<i>a</i>	7,703
Other receipts		-
Total cash receipts		<u>7,703</u>
Cash Disbursements		
Field contract operator payments		(426)
Office contract consultant payments		(405)
Joint venture partner payments		(204)
Operating and transportation	<i>b</i>	(2,101)
Drilling, facilities and other acquisitions		-
Abandonment and reclamation		(225)
Surface and mineral leases		(320)
Royalties		(819)
Property and carbon taxes		(394)
General and administrative		(21)
GST remittance		(215)
Professional fees	<i>c</i>	(845)
Restructuring advisor fees	<i>d</i>	(450)
Total cash disbursements		<u>(6,425)</u>
Net Cash Flow		<u>1,278</u>
Net Change in Cash		
Beginning of period		2,165
Net Cash Flow		<u>1,278</u>
Ending of period	<i>e</i>	<u>3,443</u>

30. The following notes and assumptions are an integral part of the Revised GPOC CF Forecast:

- a) the cash receipts consist of forecast oil, other liquids and gas receipts based on forecast production at strip pricing as of September 28th, 2023. Proceeds from production forecast are generally received on the closest business day to the 25th day of the following month (or the following business day for gas settlements). Receipts are shown with gross presentation including working partner interest and include collection of 5% GST. Working partner interest is being evaluated on a pre-Filing and post-Filing basis, considering where set-off may be eligible and appropriate and paid on an ongoing basis, where applicable;

- b) operating and transportation expenses were estimated based on historical data and vendors requiring various payment terms;
- c) professional fees include the fees and costs of counsel to GPOC, the Proposal Trustee, and counsel to the Proposal Trustee
- d) the Restructuring Advisor's fees include all activities related to the SISP (soliciting interest in, and opportunities for the purchase of some or all of the assets of GPOC, an investment in GPOC, including through the purchase or acquisition of some or all of the shares of GPOC, a refinancing of the Companies through the provision of take-out or additional financing in the Companies, or some combination thereof). These fees and costs include fees that have been incurred but not yet paid since October 8, 2023 and forecast fees and costs given the expected interest in these assets and dealing with all stakeholders. As discussed in the First Report, the Restructuring Advisor will be paid on a time and materials basis at its standard hourly rates, with no success fee or transaction fee, which were included in the Restructuring Advisors engagement letter that was approved by this Honourable Court on September 22, 2023; and
- e) while the cash balance continues to accumulate through the duration of the Subsequent Forecast Period, GPOC continues to operate oil and gas wells, facilities, and pipelines under the regulations of the Saskatchewan Ministry of Energy and Resources and the Alberta Energy Regulator, and maintaining sufficient cash reserves to deal with operational matters (including any safety or environmental concerns) is a necessity in these proceedings. GPOC does not intend to disburse any cash reserves outside of the intended purposes of the Revised GPOC CF Forecast pending further update to the cash flow statement with notice to the creditors and this Honourable Court.

31. Spicelo and the Holding Companies do not have any operations and have no receipts or disbursements forecast over the Subsequent Forecast Period.

APPROVAL OF PROFESSIONAL FEES AND EXPENSES

32. The Company seeks approval from this Honourable Court of the professional fees and disbursements of the Proposal Trustee for the period of August 26, 2023 to October 15, 2023 (the “**Proposal Trustee Interim Taxation Period**”), and Torys for the period of August 26, 2023 to October 6, 2023 (the “**Torys Interim Taxation Period**”).
33. The total fees and expenses of the Proposal Trustee during the Proposal Trustee Interim Taxation Period are \$223,656.00 (exclusive of GST), a summary of which is below:

Proposal Trustee Fees & Disbursements - Interim Taxation Period						
Invoice	Period	Fees	Disbursements	Subtotal	GST	Total
#1	26-Aug-23 to 9-Sep-23	\$ 87,387.00	\$ -	\$ 87,387.00	\$ 4,369.35	\$ 91,756.35
#2	10-Sep-23 to 30-Sep-23	\$ 84,364.50	\$ -	\$ 84,364.50	\$ 4,218.23	\$ 88,582.73
#3	1-Oct-23 to 15-Oct-23	\$ 51,904.50	\$ -	\$ 51,904.50	\$ 2,595.23	\$ 54,499.73
Total		\$ 223,656.00	\$ -	\$ 223,656.00	\$ 11,182.81	\$ 234,838.81

34. The total fees and expenses of the Proposal Trustee’s counsel, Torys, during the Torys Interim Taxation Period total \$96,406.50 (exclusive of GST), a summary of which is below:

Torys Fees & Disbursements - Interim Taxation Period						
Invoice	Period	Fees	Disbursements	Subtotal	GST	Total
1617105	25-Aug-23 to 31-Aug-23	\$ 12,255.50	\$ -	\$ 12,255.50	\$ 612.78	\$ 12,868.28
1618450	1-Sep-23 to 15-Sep-23	\$ 27,794.00	\$ -	\$ 27,794.00	\$ 1,389.70	\$ 29,183.70
1620182	16-Sep-23 to 6-Oct-23	\$ 55,777.00	\$ 580.00	\$ 56,357.00	\$ 2,788.85	\$ 59,145.85
Total		\$ 95,826.50	\$ 580.00	\$ 96,406.50	\$ 4,791.33	\$ 101,197.83

35. The Proposal Trustee and its counsel’s invoices outline the date of the work completed, the description of the work completed, the length of time taken to complete the work and the name of the individual who completed the work. Copies of the invoices of the Proposal Trustee and Torys will be made available to the Court upon request (if necessary).

36. In the Proposal Trustee's respectful view, its fees and those of Torys are fair and reasonable under the circumstances, and the Proposal Trustee therefore respectfully requests the Court's approval of these accounts.

APPLICATION TO EXTEND THE TIME TO FILE A PROPOSAL

37. Unless it is extended, the Initial NOI Period will expire on November 8, 2023, and the Companies are seeking an extension of the period in which it is required to file a proposal to December 23, 2023, pursuant to section 50.4 (9) of the BIA.
38. The Proposal Trustee has considered the stay extension request of the Companies and the circumstances currently facing the Companies. The Proposal Trustee is supportive of a 45 day stay extension to December 23, 2023, which should serve to provide the Companies with the time required to continue to implement the SISP, begin to develop a proposal and allow the Companies to restructure their affairs.
39. The Proposal Trustee considered the following factors regarding the stay extension:
- a) the Companies are acting in good faith and with due diligence;
 - b) the Companies would likely be able to make a viable proposal if the Initial NOI Period were to be extended; and
 - c) no creditor in these proceedings will be materially prejudiced if the extension were to be granted.
40. It is the Proposal Trustee's respectful view that, to date, Management has been acting in good faith and with due diligence in this matter. The Companies have been made aware of the good faith and acting with due diligence obligations pursuant to section 50.4(9) of the BIA.
41. The Proposal Trustee is of the view that an extension to December 23, 2023 is appropriate and necessary for the Companies to advance efforts to achieve a successful restructuring (including the implementation of the ongoing SISP), and that no stakeholder or creditor is likely to be materially prejudiced if an extension is granted.

42. As discussed previously in this Report, should the GPOC and Spicelo assets be immediately liquidated, the Proposal Trustee has significant concerns that this will erode value for the benefit of all creditors and stakeholders in the NOI Proceedings and it would appear that the Senior Secured Lenders, at this time, are over-collateralized and therefore will not be materially prejudiced by such an extension.
43. Without an extension to the stay of proceedings, the Companies will not be able to develop a proposal and restructure their affairs, and the Companies would immediately be deemed to have made an assignment into bankruptcy.

PROPOSAL TRUSTEE'S RECOMMENDATION

44. The Proposal Trustee respectfully recommends that this Honourable Court approve the following:
- a) the Companies' request for approval of the Proposed KERP and the Proposed KERP Charge;
 - b) the professional fees and costs of the Proposal Trustee during the Proposal Trustee Interim Taxation Period and its counsel during the Torys Interim Taxation Period; and
 - c) extending the period within which the Companies are required to file a proposal to its creditors up to and including December 23, 2023.

All of which is respectfully submitted this 31st day of October, 2023

**ALVAREZ & MARSAL CANADA INC.,
in its capacity as Proposal Trustee of the Companies
and not in its personal or corporate capacity**



Orest Konowalchuk, CPA, CA, CIRP, LIT
Senior Vice President



Duncan MacRae, CPA, CA, CIRP, LIT
Vice President

Appendix A

Griffon Partners Operation Corp.														
13-Week Cash Flow Forecast ending January 19, 2024														
SCAD 000's														
Notes week ended	Week 1 27-Oct-23	Week 2 3-Nov-23	Week 3 10-Nov-23	Week 4 17-Nov-23	Week 5 24-Nov-23	Week 6 1-Dec-23	Week 7 8-Dec-23	Week 8 15-Dec-23	Week 9 22-Dec-23	Week 10 29-Dec-23	Week 11 5-Jan-24	Week 12 12-Jan-24	Week 13 19-Jan-24	13-week total Total
Cash Receipts														
1	2,406	-	-	-	2,105	466	-	-	-	2,726	-	-	-	7,703
Other receipts	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total cash receipts	2,406	-	-	-	2,105	466	-	-	-	2,726	-	-	-	7,703
Cash Disbursements														
Field contract operator payments	-	-	142	-	-	-	142	-	-	-	142	-	-	426
Office contract consultant payments	-	-	135	-	-	-	135	-	-	-	135	-	-	405
J/V Partner payments	-	120	-	-	-	39	-	-	-	-	45	-	-	204
Operating and transportation	398	-	275	38	25	662	-	38	9	618	-	38	-	2,101
Drilling, facilities and other acquisitions	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Abandonment and reclamation	-	-	-	25	25	75	50	25	25	-	-	-	-	225
Surface and mineral leases	85	-	-	-	-	100	-	-	80	-	-	-	55	320
Royalties	66	-	-	-	251	-	-	-	251	-	-	-	251	819
Property and carbon taxes	-	-	-	21	8	-	-	349	8	-	-	-	8	394
General and administrative	-	-	-	-	20	-	1	-	-	-	-	-	-	21
GST remittance	-	65	-	-	50	-	-	-	50	-	-	-	50	215
Professional fees	-	180	-	115	-	140	-	140	-	100	-	170	-	845
Restructuring advisor fees	-	-	150	-	75	-	75	-	75	-	75	-	-	450
Total cash disbursements	549	365	702	199	434	1,036	403	552	498	718	397	208	364	6,425
Net Cash Flow	1,857	(365)	(702)	(199)	1,671	(570)	(403)	(552)	(498)	2,008	(397)	(208)	(364)	1,278
Net Change in Cash														
Beginning of period	2,165	4,022	3,657	2,955	2,756	4,427	3,857	3,454	2,902	2,404	4,412	4,015	3,807	2,165
Net Cash Flow	1,857	(365)	(702)	(199)	1,671	(570)	(403)	(552)	(498)	2,008	(397)	(208)	(364)	1,278
Ending of period	4,022	3,657	2,955	2,756	4,427	3,857	3,454	2,902	2,404	4,412	4,015	3,807	3,443	3,443
UNAUDITED CASH FLOW FORECAST PREPARED BY MANAGEMENT, MUST BE READ IN CONJUNCTION WITH THE NOTES AND ASSUMPTIONS & PROPOSAL TRUSTEE'S REPORT ON THE CASH FLOW STATEMENT														
													October 31, 2023	
													Date	
													Daryl Stepanic	
													Director	

In the Matter of the Notice of Intention
to make a Proposal of
Griffon Partners Operation Corp.

**Notes to the Consolidated Statement of Cash Flow for the 13-week
period ending January 19, 2023**

Purpose and General Assumptions of the Cash Flow Statement

Griffon Partners Operation Corp. (“GPOC” or the “Company”) has prepared this Cash Flow Statement and the accompanying Notes to the Cash Flow Statement (collectively the “**Cash Flow Statement**”) in support of the proposal proceedings that has been filed under the Bankruptcy and Insolvency Act (“BIA”) on August 25, 2023.

The Company has prepared the Cash Flow Statement based on probable and hypothetical assumptions that reflect the Company’s planned course of action for the period from October 21, 2023 to January 19, 2024 (the “**Cash Flow Period**”). Management is of the opinion that, as at the date of filing the Cash Flow Statement, the assumptions used to develop the projection represent the most probable set of economic conditions facing the Company and that the assumptions used proved a reasonable basis for and are consistent with the purpose of the Cash Flow Statement.

The information contained in the Cash Flow Statement is subject to changing assumptions and/or receipt of new or additional information; actual results may vary. This Cash Flow Statement should not be used for any other purpose, and creditors are cautioned that the information provided in the Cash Flow Statement could vary based on changing future circumstances.

The projected cash flow statement is prepared in Canadian dollars.

Hypothetical and Probable Assumptions of the Cash Flow Statement

1. The cash receipts consist of forecast oil, other liquids and gas receipts based on forecast production at strip pricing as of September 28, 2023. This pricing is reasonably consistent as of October 31, 2023. Proceeds from production forecast are generally received on the closest business day to the 25th day of the following month (or the following business day for gas settlements). Receipts are shown with gross presentation including working partner interest and include collection of 5% GST. Working partner interest is being evaluated on a pre-Filing and post-Filing basis, considering where set-off may be eligible and appropriate and paid on an ongoing basis, where applicable.
2. Operating and transportation expenses were estimated based on historical data and vendors requiring various payment terms.
3. Professional fees include the fees and costs of counsel to GPOC, the Proposal Trustee, and counsel to the Proposal Trustee
4. The Restructuring Advisor’s fees include all activities related to the SISP (soliciting interest in, and opportunities for the purchase of some or all of the assets of GPOC, an investment in GPOC, including through the purchase or acquisition of some or all of the shares of GPOC, a refinancing of the Companies through the provision of take-out or additional financing in the Companies, or some combination thereof). These fees and costs include fees that have been incurred but not yet paid since October 8, 2023 and forecast fees and costs given the expected interest in these assets

and dealing with all stakeholders. As discussed in the First Report, the Restructuring Advisor will be paid on a time and materials basis at its standard hourly rates, with no success fee or transaction fee, which were included in the Restructuring Advisors engagement letter that was approved by the Court of King's Bench of Alberta (the "**Court**") on September 22, 2023.

5. While the cash balance continues to accumulate through the duration of the Subsequent Forecast Period, GPOC continues to operate oil and gas wells, facilities, and pipelines under the regulations of the Saskatchewan Ministry of Energy and Resources and the Alberta Energy Regulator, and maintaining sufficient cash reserves to deal with operational matters (including any safety or environmental concerns) is a necessity in these proceedings. GPOC does not intend to disburse any cash reserves outside of the intended purposes of the Revised GPOC CF Forecast pending further update to the cash flow statement with notice to the creditors and the Court.

District of: Alberta
Division No. 02 - Calgary
Court No. B201-979735
Estate No. 25-2979735

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

I, Daryl Stepanic of Griffon Partners Operation Corp., has/have developed the assumptions and prepared the attached statement of projected cash flow of the insolvent person, as of the 31st day of October 2023, consisting of a 13-week cash flow statement and accompanying notes and assumptions.

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

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

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

Dated at the city of Calgary in the Province of Alberta, this 31st day of October 2023.



Griffon Partners Operation Corp.
Debtor

Daryl Stepanic, Chief Executive Officer

Name and title of signing officer

District of: Alberta
Division No. 02 - Calgary
Court No. B201-979735
Estate No. 25-2979735

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

Purpose:

Please refer to additional items attached.

Projection Notes:

Please refer to additional items attached.

Assumptions:

Please refer to additional items attached.

Dated at the city of Calgary in the Province of Alberta, this 31st day of October 2023.



Griffon Partners Operation Corp.