

This is the 1st affidavit of
Glen Franke in this case and was
made on 18 September 2023

No. S236214
Vancouver Registry



Between:

1392752 BC Ltd.

Petitioner

And:

Skeena Sawmills Ltd.
Skeena Bioenergy Ltd.
ROC Holdings Ltd.

Respondents

AFFIDAVIT

I, Glen Franke, businessperson, of 10104 River Road, Delta, British Columbia, MAKE OATH AND SWEAR AS FOLLOWS THAT:

1. I am the principal of the petition respondent, Delta Cedar Specialties Ltd. ("**Delta Cedar**") in this matter and as such I have personal knowledge of the facts hereinafter deposed to, save and except where stated to be on information and belief, and where so stated, I verily believe such facts and matters to be true.
2. Pursuant to a log purchase and loan agreement dated 4 October 2021 (the "**Loan Agreement**"), Skeena Sawmills Ltd. ("**Skeena Sawmills**") owes Delta Cedar \$3,137,951.65. Attached hereto and marked as **Exhibit "A"** to my affidavit is a true copy of the Loan Agreement.
3. The amounts owing under the Loan Agreement are secured by a duly executed security agreement between Skeena Sawmills and Delta Cedar dated 4 October 2021 (the "**Security Agreement**"), a true copy of which is attached and marked as **Exhibit "B"** hereto. The Security Agreement was registered in the Personal Property Registry. Attached hereto and marked as **Exhibit "C"** to my affidavit is a true copy of an extract of search results from the Personal Property Registry, dated 15 September 2023.

SWORN BEFORE ME at the City of
Vancouver, British Columbia this 18th day
of September 2023

A Commissioner for taking affidavits in the
Province of British Columbia

GLEN FRANKE

Francis Lamer
Barrister & Solicitor
1100 - 505 Burrard Street
Vancouver, B.C. V7X 1M5
Telephone: (604) 331 - 8300

1

This is Exhibit " A " referred to in the
affidavit of Glen Franke
sworn before me on September 18, 2023



A Commissioner for taking Affidavits
for British Columbia

LOG PURCHASE AND LOAN AGREEMENT

THIS AGREEMENT is dated effective the 4th day of October, 2021 (the "**Effective Date**"),

BETWEEN:

DELTA CEDAR SPECIALTIES LTD., a British Columbia company having an office at 10104 River Road, Delta, British Columbia, V4C 2R3

("Delta")

AND:

SKEENA SAWMILLS LTD., a British Columbia company having an office at 1518-1030 West Georgia Street, Vancouver, British Columbia, V6E 2Y3

("Skeena")

BACKGROUND:

- A. Delta is in the business of manufacturing, selling and marketing softwood logs and lumber and operates sawmills with the capacity for custom cutting of logs.
- B. Skeena operates a sawmill and has rights to Cedar Logs.
- C. Skeena wishes to sell Cedar Logs to Delta and Delta wishes to purchase Cedar Logs from Skeena on the terms and conditions set forth below.

IN CONSIDERATION of the mutual agreements contained herein, the parties agree as follows:

ARTICLE 1 INTERPRETATION

Section 1.1 – Definitions.

Capitalized terms used in this Agreement have the meanings set forth below unless otherwise defined in this Agreement.

- (1) "**Advance**" has the meaning set out in Section 3.3(1).
- (2) "**Advance Note**" has the meaning set out in Section 3.3(3).
- (3) "**Advance Offset**" has the meaning set out in Section 3.3(6).
- (4) "**Agreement**" means this agreement, including all written amendments and schedules to this agreement, and includes: (a) Schedule "A" – Licenses; (b) Schedule "B" – Cedar Log Specifications; (c) Schedule "C" – Form of Advance Note; and (d) Schedule "D" – Form of Security Agreement.
- (5) "**Below Grade Cedar Logs**" has the meaning set out in Section 3.6(1).

- (6) **"Business Days"** means any day that is not a Saturday, Sunday or statutory holiday in the Province of British Columbia and also excluding any day on which the principal chartered banks located in Province of British Columbia are not open for business during normal banking hours.
- (7) **"Cedar Logs"** means cedar logs harvested by Skeena, including but not limited to Cedar Logs harvested under the Licenses, and under agreements between Skeena and third parties, including First Nations.
- (8) **"Dispute"** has the meaning set out in Section 7.1(1).
- (9) **"Dispute Notice"** has the meaning set out in Section 7.1(2)(a).
- (10) **"Drop Point"** means the log sort yard in Kitimat, or as otherwise mutually agreed upon.
- (11) **"Final Pricing Date"** has the meaning set out in Section 3.1(5)(c).
- (12) **"Force Majeure Event"** has the meaning set out in Section 2.2(6)(a).
- (13) **"Incurred Costs"** means any costs reasonably incurred by Delta in relation to the trucking, loading and transportation of the Cedar Logs from the Drop Point to the applicable log sort yard in Howe Sound or Fraser River location, as determined by Delta.
- (14) **"Indemnified Parties"** has the meaning set out in Section 5.1(1).
- (15) **"Indemnifying Party"** has the meaning set out in Section 5.1(1).
- (16) **"Invoice"** has the meaning set out in Section 3.5(1).
- (17) **"Licenses"** means the licenses listed in Schedule "A" to this Agreement, including any amendments thereto and renewals or replacements thereof.
- (18) **"Logging Bills"** means the invoices evidencing the costs Skeena has incurred in connection with its logging activities.
- (19) **"Major Event"** has the meaning set out in Section 2.2(6)(c).
- (20) **"Market Prices"** means the prevailing market prices established by the Vancouver log market, as determined by Delta, acting reasonably, on a monthly basis until such time as the parties hereto mutually agree in writing that such determination should be made on a quarterly basis.
- (21) **"Maximum Advance Amount"** has the meaning set out in Section 3.3(1).
- (22) **"Minimum Volume Requirement"** has the meaning set out in Section 3.1(3).
- (23) **"Pricing Period"** has the meaning set out in Section 3.1(5)(a).
- (24) **"Receiving Party"** has the meaning set out in Section 7.1(2)(a).

- (25) **"Rules"** has the meaning set out in Section 7.1(1).
- (26) **"Specifications"** means the specifications in relation to the Cedar Logs, as set out in Schedule "B" to this Agreement, or as otherwise mutually agreed upon in writing.
- (27) **"Term"** has the meaning set out in Section 2.1(1).
- (28) **"Termination Date"** means the effective date of termination of this Agreement.
- (29) **"Upfront Payment"** has the meaning set out in Section 2.1(2).
- (30) **"Upfront Payment Offset"** has the meaning set out in Section 2.2(5).

ARTICLE 2

TERM, TERMINATION AND NON-SOLICITATION

Section 2.1 – Term

- (1) Subject to Section 2.2, the term of this Agreement (the **"Term"**) is fifteen (15) years and commences on the Effective Date set out on the first page of this Agreement.
- (2) In consideration for Skeena entering into this Agreement for the Term, Delta agrees to pay \$1,000,000 (the **"Upfront Payment"**) to Skeena on the Effective Date by certified cheque, bank draft or wire transfer, as determined by Delta, and subject to the repayment provisions set forth in Section 2.2.

Section 2.2 – Termination

- (1) At any time after the date that is five (5) years after the Effective Date, either party may terminate this Agreement for convenience by giving at least two years' prior written notice to the other party. For greater clarity, the Termination Date under this Section 2.2(1) will not be any earlier than the date that is seven (7) years after the Effective Date.
- (2) Each party will have the right to immediately terminate this Agreement, upon giving written notice to the other party, if the other party:
 - (a) makes an assignment in bankruptcy for the benefit of its creditors, is declared bankrupt or commits an act of bankruptcy, becomes insolvent, appoints a receiver or receiver-manager of or for all or a substantial part of its property and assets, or takes any steps or proceedings for the winding-up or dissolution of its business or termination of its corporate existence, takes the benefit of any statutes now or hereafter in force for bankrupt and insolvent debtors, any of its goods or chattels are seized in execution by its creditors, or it ceases operating as a going concern; or
 - (b) undergoes a change of control, whether directly or indirectly, and whether by way of a transfer, sale, assignment, encumbrance or other disposition of shares of such party or its shareholder having the result of changing the identity of the person or persons who, as at the Effective Date, exercise the effective voting control of such party (unless the identity of the person or persons who exercise effective voting

control of such party changes to a person or persons who is or are, as applicable, existing shareholder(s) or their affiliates, of such party as at the Effective Date, in which case no change of control will be deemed to have occurred); or

- (c) is in breach of any of the material terms or conditions set forth in this Agreement, or fails or refuses to perform its material obligations hereunder, which breach or default has not been corrected within 30 calendar days from the date of receipt of written notice by the other party demanding correction. Notwithstanding the foregoing, if such breach or default cannot reasonably be cured within the 30-day period and the party in breach commences to rectify the breach or default within the 30-day period and thereafter diligently and continuously take action to rectify the breach or default until cured, then the non-breaching party may not terminate this Agreement pursuant to this Section 2.2(2)(c) until the earlier of: (i) six months from the date of receipt by the party in breach of written notice by the other party demanding correction; or (ii) when the party in default ceases to diligently and continuously take action to rectify the breach or default.

(3) If Delta terminates this Agreement pursuant to Section 2.2(1), or if Skeena terminates this Agreement pursuant to Section 2.2(2)(c), the parties agree that Skeena will have fully earned the Upfront Payment, and the Upfront Payment will be non-refundable.

(4) Except as otherwise provided in Section 2.2(3), if either party terminates this Agreement in accordance with the provisions of this Agreement, Skeena will repay to Delta, on or before the applicable Termination Date, the portion of the Upfront Payment indicated in the right-hand column of the table below corresponding to the effective Termination Date indicated in the left-hand column of the table below. For greater certainty, Skeena will have fully earned the difference between the Upfront Payment and the applicable amount indicated in the right-hand column of the table below, which difference shall be non-refundable.

Effective Termination Date	Portion of Upfront Payment to be Repaid
Any time before the date that is 6 years after the Effective Date	\$1,000,000.00
On or after the date that is 6 years after the Effective Date	\$900,000.00
On or after the date that is 7 years after the Effective Date	\$800,000.00
On or after the date that is 8 years after the Effective Date	\$700,000.00
On or after the date that is 9 years after the Effective Date	\$600,000.00
On or after the date that is 10 years after the Effective Date	\$500,000.00
On or after the date that is 11 years after the Effective Date	\$400,000.00
On or after the date that is 12 years after the Effective Date	\$300,000.00
On or after the date that is 13 years after the Effective Date	\$200,000.00
On or after the date that is 14 years after the Effective Date	\$100,000.00
On or after the date that is 15 years after the Effective Date	\$0.00

(5) During the last year of a notice period under Section 2.2(1): (i) any amount that would otherwise be payable by Delta to Skeena under Section 3.5 will be offset against any portion of

the Upfront Payment to be returned by Skeena to Delta under Section 2.2(4) (each, an "**Upfront Payment Offset**"); and (ii) each Invoice delivered by Skeena to Delta shall reflect such Upfront Payment Offset, if applicable.

(6)

- (a) Neither party will be liable for its failure to perform any of its obligations under this Agreement due to a cause beyond its reasonable control (except those caused by its own lack of funds) including acts of God, fire, flood, explosion, epidemics, pandemics, strikes, lockouts or other industrial disturbances, blockades, laws, rules and regulations or orders of any duly constituted governmental authority or the non-availability of materials or transportation (each, a "**Force Majeure Event**"). Any party whose performance is so affected will provide prompt notice (and no later than 5 Business Days after the commencement of the Force Majeure Event) to the other party indicating the nature and estimated duration of the delay and will continue to use all reasonable efforts to perform its obligations under this Agreement.
- (b) Notwithstanding Section 2.2(6)(a), or anything else contained in this Agreement, a Force Majeure Event lasting less than thirty (30) days will not extend or delay the performance of: (i) Skeena's obligation to meet the Minimum Volume Requirement or (ii) Delta's obligation to pay Invoices pursuant to Section 3.5(2) or Advances pursuant to Section 3.3(4).
- (c) Notwithstanding Section 2.2(6)(a), or anything else contained in this Agreement, for any Force Majeure Event having a duration of 30 days or longer (a "**Major Event**"): (i) the Minimum Volume Requirement will be suspended for the period during which the Major Event occurs, and the Minimum Volume Requirement for the calendar year in which the Major Event occurs will be prorated for the duration of the Major Event; and (ii) Delta's obligation to provide further Advances pursuant to Section 3.3(4) will be suspended for the duration of the Major Event.
- (d) If such Force Majeure Event prevents a party, or could reasonably be expected to prevent a party, from performing its obligations hereunder for one year or longer, either party shall have the right to terminate this Agreement upon written notice to the other.

ARTICLE 3 LOG PURCHASES

Section 3.1 – Cedar Log Purchases, Exclusivity, Purchase Price and Incurred Cost

- (1) Skeena agrees to sell Cedar Logs to Delta and Delta agrees to purchase from Skeena such Cedar Logs in accordance with this Agreement. The purchase price for Cedar Logs shall be the Market Prices, less all Incurred Costs in relation to such Cedar Logs.
- (2) Delta will purchase all Cedar Logs harvested and/or purchased by Skeena during the Term except that Skeena reserves the right to sell up to 1,000 cubic metres of Cedar Logs per

calendar year that it harvests to third parties, or such greater volume of Cedar Logs as may be agreed by Delta in writing.

- (3) Skeena agrees that it will deliver to Delta at a minimum an aggregate of:
- (a) 10,000 cubic metres of Cedar Logs per calendar year until December 31, 2023;
 - (b) 15,000 cubic metres of Cedar Logs per calendar year thereafter, or an aggregate of 45,000 cubic metres of Cedar Logs over a consecutive three-year period on a rolling basis,

(the "**Minimum Volume Requirement**").

- (4) Skeena acknowledges and agrees that failure to meet the Minimum Volume Requirement will be a material breach of this Agreement and an Event of Default, as such term is defined in the Advance Note, subject to Section 2.2(6)(c).
- (5) The parties agree as follows with respect to the determination of Market Prices:
- (a) Within five Business Days of the beginning of each calendar month or each calendar quarter, if so elected by the parties in writing (either being referred to as a "**Pricing Period**" in this Agreement) Delta shall provide notice in writing to Skeena of the Market Prices and such notice shall be delivered to Skeena in accordance with Article 6.
 - (b) Skeena shall have five Business Days from receipt of the notice of the Market Prices to notify Delta in writing of any objection of Skeena to the price(s) set out in such notice. Any such notice shall be delivered to Delta in accordance with Article 6.
 - (c) In the event that Delta does not provide notice to Skeena of the Market Prices for a Pricing Period in accordance with Section 3.1(5)(a), Skeena may notify Delta in writing within two Business Days of the date by which Delta was required to provide notice of the Market Prices for such Pricing Period. If Delta does not provide notice to Skeena of the Market Prices within a further five Business Days from the date of receipt of such notice from Skeena (the "**Final Pricing Date**"), Skeena may provide notice in writing to Delta of the Market Prices for such Pricing Period, acting reasonably, in accordance with Article 6 and within a further two Business Days of the Final Pricing Date.
- (6) The parties agree as follows with respect to the calculation and verification of Incurred Costs:
- (a) The Incurred Costs of Delta for the first delivery of Cedar Logs from the Drop Point to the log sort yard are estimated to be \$20 per cubic metre of Cedar Logs.
 - (b) Promptly after they become available, Delta will provide to Skeena all invoices evidencing the actual Incurred Costs of Delta for such first delivery of Cedar Logs. The estimated Incurred Costs of Delta for the second delivery of Cedar Logs will

equal the total amount of actual Incurred Costs for the first delivery divided by the number of cubic metres of Cedar Logs delivered in such first delivery.

- (c) Delta will continuously and promptly provide to Skeena all invoices evidencing the actual Incurred Costs of Delta for the most recent delivery of Cedar Logs, and such actual Incurred Costs, expressed as a dollar amount per cubic metre of Cedar Logs delivered, will form the basis for the estimated Incurred Costs of Delta for the next subsequent delivery of Cedar Logs.

Section 3.2 – Delivery and Title

- (1) Skeena shall deliver the Cedar Logs to the Drop Point and shall provide bundle tags and bundle addendum. Skeena will be responsible for sorting costs at the Drop Point.
- (2) Title to, and possession of, Cedar Logs shall transfer from Skeena to Delta upon payment by Delta (or on Delta's behalf) of the related Invoice in accordance with Section 3.5.
- (3) In the event that an Invoice is paid in full by set-off in accordance with Section 3.5(1), title to, and possession of, the applicable Cedar Logs shall transfer from Skeena to Delta upon delivery to Delta of the applicable Invoice in accordance with Section 3.5(1).
- (4) The parties will provide copies of all shipping records, including costs, of Cedar Logs and to and from the Drop Point, as applicable, to each other in a timely manner.

Section 3.3 – Advance by Delta

- (1) Subject to Section 3.3(7), Delta agrees to provide, from time to time, advance payments to Skeena (each an "**Advance**") of up to an aggregate principal amount of \$2,000,000 (the "**Maximum Advance Amount**"), subject to the terms of this Agreement, which shall bear interest at the prevailing Bank of Montreal prime rate plus 2% per annum accruing from the date an Advance is made.
- (2) Upon the execution of this Agreement, Delta will deliver to Skeena, by certified cheque, bank draft or wire transfer, an initial Advance of \$2,000,000. Skeena will provide Logging Bills to Delta evidencing an aggregate amount of \$2,000,000.
- (3) As evidence of an Advance, Skeena shall deliver to Delta upon execution of this Agreement a grid promissory note in the form attached hereto as Schedule "C" (an "**Advance Note**") in the principal amount of such Advance. The parties will document any subsequent Advance or Advance Offset (pursuant to Section 3.3(6)) in the grid scheduled to the Advance Note and initialing its approval of such record. The parties may agree to replace or amend and restate the Advance Note or issue more than one Advance Note to document the Advances at any time.
- (4) Delta will pay a further Advance equal to the then-current Maximum Advance Amount within 30 calendar days after receipt of notice in writing from Skeena that there is no balance remaining under all Advance Notes.

- (5) Skeena acknowledges and agrees that each Advance is provided by Delta for use by Skeena for purposes directly related to its logging activities of the Cedar Logs and covenants that each Advance will be used solely for such purposes.
- (6) Provided that any portion of an Advance remains outstanding and owed by Skeena, (a) any amount that would otherwise be payable by Delta to Skeena under Section 3.5 will be offset against the then-outstanding amount of such Advance (each, an "**Advance Offset**"); and (b) each Invoice delivered by Skeena to Delta shall reflect such Advance Offset, if applicable.
- (7) The parties agree as follows with respect to volume projections and Advances:
- (a) The parties will hold bi-annual meetings during the last week of each of January and June, or such other dates as the parties may mutually agree in writing. The purpose of these meetings will be to discuss: (i) the volume of Cedar Logs delivered by Skeena to Delta in the previous calendar year or previous six months, as applicable; (ii) the volume of Cedar Logs forecasted to be delivered by Skeena to Delta in the next ensuing calendar year or six months, as applicable; and (iii) any adjustment to the Maximum Advance Amount, which will be based on the volume of Cedar Logs delivered in the period described in subsection (i) above, and the volume of Cedar Logs forecasted to be delivered in the period described in subsection (ii) above. Each party will act reasonably and in good faith in projecting the volume of Cedar Logs to be delivered. In this Section 3.3(7), the calendar year in which a meeting is held is referred to as the "**Meeting Year**", and the next ensuing calendar year in respect of which a projection of volume is being made at such meeting is referred to as the "**Projection Year**".
- (b) If, at a bi-annual meeting referred to in Section 3.3(7)(a), the parties agree that: (i) the projected volume of Cedar Logs to be delivered by Skeena to Delta for a Projection Year is equal to or greater than 35,000 cubic metres; or (ii) if Skeena delivers to Delta 35,000 cubic metres or more of Cedar Logs in a Meeting Year (which volume exceeds the projected volume for that Meeting Year and in respect of which an additional \$1,000,000.00 Advance has not been paid in accordance with this Section 3.3(7)(b)), then Delta will pay a further Advance to Skeena of \$1,000,000.00 at:
- (x) the beginning of the Projection Year if (i) above applies; or
- (y) within 30 days of the applicable meeting if (ii) above applies,
- and the Maximum Advance Amount will be increased to an aggregate of \$3,000,000.00.
- (c) For greater certainty, if the parties agree that in no event will the Maximum Advance Amount exceed an aggregate of \$3,000,000, without Delta's prior written consent.

- (d) If the parties agree that the projected volume of Cedar Logs to be delivered by Skeena to Delta for a Projection Year or a Meeting Year, as applicable, is lower than 35,000 cubic metres, and the then-prevailing Maximum Advance Amount is \$3,000,000.00, then Skeena will pay to Delta the outstanding aggregate amount of Advances (including any accrued and unpaid interest thereon) in excess of \$2,000,000.00 within 30 days after such determination, and the Maximum Advance Amount will be decreased accordingly. Delta will not be obligated to pay any Advance in excess of \$2,000,000.00 until the Maximum Advance Amount is increased to \$3,000,000.00 in accordance with this Section 3.3(7) or as otherwise agreed to by the parties in writing.
- (e) Upon agreement by the parties in accordance with this Section 3.3(7) to increase or decrease the Maximum Advance Amount from the amount applicable in the previous year, all provisions in Sections 3.3(1), (3), (4) and (6) will apply *mutatis mutandis*.
- (8) In the event the Agreement is terminated while any portion of an Advance remains outstanding, Skeena agrees to repay the outstanding balance of such Advance, including any accrued and unpaid interest thereon, to Delta within 30 calendar days of the Termination Date.
- (9) Upon the repayment of the Advance in full, Delta will stamp all Advance Notes as cancelled and return them to Skeena.

Section 3.4 – Security Interest

- (1) As security for the full payment and performance of the obligations to repay all or a portion of the Upfront Payment to the extent required pursuant to: (i) Section 2.2; and (ii) the Advance Note(s), Skeena agrees to grant Delta a security interest pursuant to a security agreement in the form attached hereto as Schedule "D" to be delivered concurrently with the signing of this Agreement.
- (2) At any time, Skeena may notify Delta in writing that it will repay to Delta the outstanding balance of all Advances, including any accrued and unpaid interest thereon, together with any unearned portion of the Upfront Payment, and, upon payment in full, Delta will discharge its security interest in accordance with the terms of the security agreement and the parties' obligations in respect of Advances and the Upfront Payment under this Agreement will cease, and all other obligations under this Agreement will continue in full force and effect. For the purposes of this paragraph, the unearned portion of the Upfront Payment is equal to the amount indicated in the right-hand column of the table in Section 2.2(4) corresponding to the date indicated in the left-hand column of such table, where the date of payment in full is treated as the "Termination Date".
- (3) In the event that Skeena exercises its option to repay the outstanding balance of all Advances, including any accrued and unpaid interest thereon, together with any unearned portion of the Upfront Payment in accordance with Section 3.4(2), Delta will have no further obligation to provide any additional Advances but may do so at its option and sole direction, and any such Advance shall be secured by another security agreement with the same terms and conditions and

priority ranking as the security agreement to be delivered concurrently with this Agreement and in the form attached hereto as Schedule "D".

Section 3.5 – Invoicing and Payment

- (1) Upon delivery of each scale cut-off to the Drop Point by Skeena, Skeena shall deliver to Delta an invoice (each, an "**Invoice**") setting out the aggregate Market Prices for the Cedar Logs scaled, graded and sorted in relation to such scale cut-off determined as at the time of delivery, less, in the following priority:
 - (a) the aggregate Incurred Costs determined pursuant to Section 3.1(6);
 - (b) an Advance Offset, while any portion of the Advance remains outstanding; and
 - (c) an Upfront Payment Offset, in accordance with Section 2.2(5).
- (2) Delta shall pay the amount of the Invoice to Skeena within 10 calendar days of receipt of an Invoice, in full satisfaction of the purchase price for the applicable Cedar Logs.
- (3) Any payment from Delta to Skeena under this Agreement shall be made by wire transfer or other electronic means of transferring funds to such account as Skeena may advise Delta in writing, provided that Delta is given notice of any change to such account(s) information no less than two Business Days before Delta is required to make any payment under this Agreement.

Section 3.6 – Quantity and Quality; Offsets

- (1) Skeena agrees to use its commercially reasonable efforts to ensure the Cedar Logs meet the minimum grades set out in the Specifications. The price for any Cedar Logs delivered to the Drop Point by Skeena that do not meet the minimum grades set out in the Specifications ("**Below Grade Cedar Logs**") shall be negotiated by Delta and Skeena, in good faith and acting reasonably, in which case the "Market Prices" for such Below Grade Cedar Logs shall be deemed to be the price negotiated in accordance with this Section 3.6(1), for the purposes of this Agreement.
- (2) Subject to Section 3.7, in the event that Delta shall have paid an Invoice that includes any Below Grade Cedar Logs, which Invoice does not reflect the negotiated price for such Below Grade Cedar Logs pursuant to Section 3.6(1), the amount by which such Invoice should have been reduced to reflect the price negotiated for such Below Grade Cedar Logs shall be offset against the next subsequent Invoice delivered pursuant to Section 3.5(1).

Section 3.7 – Refund of Offset Amounts

In the event that any amount is to be offset under Section 3.6(2) at the end of the Term or in any other circumstances when no further Invoices will be provided to Delta, Skeena shall reimburse Delta for any outstanding offset amounts under Section 3.6(2) within 15 calendar days of the end of the Term by wire transfer or other electronic means of transferring funds to such account as Delta may advise Skeena in writing.

Section 3.8 – Skeena Duty to Advise

Skeena shall promptly provide written notice to Delta in accordance with Article 6 of: (1) any material defects or material quality problems relating to the Cedar Logs; and (2) any amendments to, or renewals or replacements of, any of the Licenses.

Section 3.9 – Skeena Duty to Provide Monthly Reports

Within five (5) Business Days of the beginning of each calendar month, Skeena shall provide to Delta: (1) a monthly inventory summary; and (2) a monthly accounts receivable report.

**ARTICLE 4
REPRESENTATIONS AND WARRANTIES**

Section 4.1 – Representations and Warranties of Skeena

- (1) To induce Delta to enter into and execute this Agreement, Skeena hereby represents and warrants to Delta that, as of the date hereof, and during the Term:
- (a) it is a company duly formed, validly existing and in good standing under the laws of the Province of British Columbia;
 - (b) it is duly qualified to do business in British Columbia;
 - (c) it has the full right, power and authority to enter into this Agreement and to perform its obligations hereunder;
 - (d) this Agreement has been duly executed and delivered by and constitutes a legal, valid and binding obligation of Skeena, enforceable by Delta against it in accordance with its terms, subject to the availability of equitable remedies and the enforcement of creditors' rights generally;
 - (e) the execution and delivery of this Agreement and the performance of its obligations hereunder will not give rise to any rights in favor of third parties and will not result in a violation or breach of any provision of or constitute a default (or an event that with notice or lapse of time or both would become a default) under, or give to others any rights of termination, amendment, acceleration or cancellation of or under: (i) its constating documents or organizational documents; (ii) any applicable law, order, judgment or decree; or (iii) any agreement, arrangement, understanding or licenses to which it is a party;
 - (f) it is in compliance with all applicable laws and agreements relating to this Agreement;
 - (g) it has obtained all licenses, authorizations, approvals, consents or permits required by applicable laws to conduct its business generally and to exercise its rights and perform its obligations under this Agreement; and

- (h) it has not made an assignment in bankruptcy for the benefit of its creditors, has not been declared bankrupt or committed an act of bankruptcy, become insolvent, appointed a receiver or receiver-manager of or for all or a substantial part of its property and assets, taken any steps or proceedings for the winding-up or dissolution of its business or termination of its corporate existence, taken the benefit of any statutes now or hereafter in force for bankrupt and insolvent debtors, or had any of its goods or chattels seized in execution by its creditors.
- (2) The representations and warranties of Skeena will survive the execution and delivery of this Agreement and will continue in full force and effect during the Term.

Section 4.2 – Representations and Warranties of Delta

- (1) To induce Skeena to enter into and execute this Agreement, Delta hereby represents and warrants to Skeena that, as of the date hereof, and during the Term:
- (a) it is a company duly organized, validly existing and in good standing under the laws of the Province of British Columbia;
 - (b) it is duly qualified to do business in British Columbia;
 - (c) it has the full right, power and authority to enter into this Agreement and to perform its obligations hereunder;
 - (d) this Agreement has been duly executed and delivered by and constitutes a legal, valid and binding obligation of Delta, enforceable by Skeena against it in accordance with its terms, subject to the availability of equitable remedies and the enforcement of creditors' rights generally;
 - (e) the execution and delivery of this Agreement and the performance of its obligations hereunder will not give rise to any rights in favor of third parties and will not result in a violation or breach of any provision of or constitute a default (or an event that with notice or lapse of time or both would become a default) under, or give to others any rights of termination, amendment, acceleration or cancellation of or under: (i) its constating documents or organizational documents; (ii) any applicable law, order, judgment or decree; or (iii) any agreement, arrangement, understanding or licenses to which it is a party;
 - (f) it is in compliance with all applicable laws and agreements relating to this Agreement;
 - (g) it has obtained all licenses, authorizations, approvals, consents or permits required by applicable laws to conduct its business generally and to exercise its rights and perform its obligations under this Agreement; and
 - (h) it has not made an assignment in bankruptcy for the benefit of its creditors, has not been declared bankrupt or committed an act of bankruptcy, become insolvent, appointed a receiver or receiver-manager of or for all or a substantial part of its property and assets, taken any steps or proceedings for the winding-up or

dissolution of its business or termination of its corporate existence, taken the benefit of any statutes now or hereafter in force for bankrupt and insolvent debtors, or had any of its goods or chattels seized in execution by its creditors.

- (2) The representations and warranties of Delta will survive the execution and delivery of this Agreement and will continue in full force and effect during the Term.

ARTICLE 5 INDEMNIFICATION

Section 5.1 – Mutual Indemnity

- (1) Subject to the terms and conditions of this Agreement, each party (the "**Indemnifying Party**") shall indemnify, defend and hold harmless the other party and its officers, directors, employees, agents, affiliates, successors and assigns (collectively, "**Indemnified Parties**") against any and all losses, damages, liabilities, deficiencies, claims, actions, judgments, settlements, interest, awards, penalties, fines, costs, or expenses of whatever kind, excluding indirect, special or consequential damages but including reasonable attorneys' fees, fees and the costs of enforcing any right to indemnification under this Agreement and the cost of pursuing any insurance providers, incurred by any Indemnified Party relating to any third-party claim or any direct claim against the Indemnifying Party alleging:
- (a) a breach or non-fulfillment of the Indemnifying Parties' representations, warranties or covenants;
 - (b) any grossly negligent or more culpable act or omission of the Indemnifying Party or any of its representatives (including any recklessness or willful misconduct) in connection with the Indemnifying Party's performance under this Agreement;
 - (c) any bodily injury, death of any person or damage to real or tangible personal property caused by the willful or grossly negligent acts or omissions of the Indemnifying Party or any of its representatives; or
 - (d) any failure by the Indemnifying Party or its personnel to materially comply with any applicable laws.

ARTICLE 6 NOTICE

Any notice or other communication required or permitted to be given under this Agreement shall be in writing and shall be either delivered by email or by courier to the party hereto to whom such notice or other communication is to be given at the address below or at such other address as is designated by that party hereto in writing:

- (1) if to Delta, to:

Delta Cedar Specialties Ltd.
10104 River Road
Delta, British Columbia, V4C 2R3

Email: deang@deltacedar.com
Attention: Dean Garofano
Title: President

(2) if to Skeena, to:

Skeena Sawmills Ltd.
1518-1030 West Georgia Street
Vancouver, British Columbia, V6E 2Y3

Email: roger.keery@skeenasawmills.com
Attention: Roger Keery
Title: President

Any such notice or communication shall be deemed to have been given and received on the date of sending if sent by email (provided that such date is a Business Day, otherwise such notice or communication shall be deemed to have been given and received on the next Business Day) or upon receipt if delivered by courier.

ARTICLE 7 DISPUTE RESOLUTION

Section 7.1 – Dispute Resolution Process

(1) Subject to Section 7.1(2), any dispute, failure to agree or claim between the parties arising out of or in connection with this Agreement, including, without limitation, Section 3.1(5)(b), Section 3.6, and Section 5.1(1), or in respect of any legal relationship associated therewith or derived therefrom (a "**Dispute**"), will be finally resolved by arbitration under the Rules of the British Columbia International Commercial Arbitration Centre (the "**Rules**"), which Rules are deemed to be incorporated by reference into this Section 7.1. The tribunal will consist of one arbitrator appointed in accordance with the Rules, who will have experience working for or giving advice to businesses in the forest industry. The decision of such arbitrator will be final and binding on the parties, and neither party will elect into any appeal process provided for under the Rules or otherwise attempt to appeal the decision of the tribunal. The seat/place of arbitration will be Vancouver, British Columbia.

(2) Prior to commencing an arbitration under Section 7.1(1), the parties will attempt to resolve any Dispute as follows:

- (a) either party may give notice to the other party (the "**Receiving Party**") identifying the Dispute and the matters related thereto (a "**Dispute Notice**") in accordance with Article 6;

- (b) within 10 calendar days of receipt of a Dispute Notice by a Receiving Party, each party will cause its most senior executive officer to begin discussions, acting reasonably, with a view to settling the Dispute;
- (c) if the parties have not entered into a written agreement within 20 calendar days after the date on which the Dispute Notice was first delivered, then either party may commence an arbitration in accordance with Section 7.1(1).

(3) While a Dispute is being resolved, subject to any other provision of this Agreement, the parties will continue with their respective obligations under this Agreement, and any prices or payments that are in Dispute will be subject to retroactive adjustment once determined through the dispute resolution process set out in this Article 7.

ARTICLE 8 MISCELLANEOUS

Section 8.1 – Relationship of Parties

The parties to this Agreement are independent contracting parties. Nothing in this Agreement creates any agency, joint venture, partnership or other form of joint enterprise, employment or fiduciary relationship between the parties. Neither party has any express or implied right or authority to assume or create any obligations on behalf of or in the name of the other party or to bind the other party to any contract, agreement or undertaking with any third party.

Section 8.2 – Entire Agreement

This Agreement constitutes the entire agreement between the parties with respect to the subject matter of this Agreement and supersedes every previous agreement, communication, expectation, negotiation, representation or understanding, whether oral or written, express or implied, statutory or otherwise, among the parties with respect to the subject matter of this Agreement except as specifically set out herein.

Section 8.3 – Governing Law

This Agreement shall be governed by and construed in accordance with the laws of British Columbia and the federal laws of Canada applicable therein.

Section 8.4 – Successors and Assigns/Enurement

This Agreement shall become effective when it is executed by the parties and thereafter shall be binding upon and enure to the benefit of the parties hereto and their successors and assigns. Neither this Agreement nor any right or obligation under this Agreement may be assigned by either party without the prior written consent of the other party.

Section 8.5 – Calculation of Days

Unless otherwise specified in this Agreement, time periods within which or following which any calculation or payment is to be made, or action is to be taken, will be calculated by excluding the

day on which the period begins and including the day on which the period ends. If the last day of a time period is not a Business Day, the time period will end on the next Business Day.

Section 8.6 – Further Assurances

Each party agrees that it will execute all documents and do all acts and things as the other party may reasonably request and as may be lawful and within its respective power to do, to carry out and/or implement the provisions or intent of this Agreement including all acts and things as may be necessary or desirable to more fully effect or complete the assignment or transfer of any right or interest hereunder.

Section 8.7 – Severability

Each provision of this Agreement is distinct and severable. If any provision of this Agreement, in whole or in part, is or becomes illegal, invalid, void, voidable or unenforceable in any jurisdiction by any court of competent jurisdiction, the illegality, invalidity or unenforceability of that provision, in whole or in part, will not affect:

- (1) the legality, validity or enforceability of the remaining provisions of this Agreement, in whole or in part; or
- (2) the legality, validity or enforceability of that provision, in whole or in part, in any other jurisdiction.

Section 8.8 – Amendment and Waiver

No amendment, discharge, modification, restatement, supplement, termination or waiver of this Agreement or any Section of this Agreement is binding unless it is in writing and executed by the party to be bound. No waiver of, failure to exercise or delay in exercising, any Section of this Agreement constitutes a waiver of any other Section (whether or not similar) nor does any waiver constitute a continuing waiver unless otherwise expressly provided.

Section 8.9 – Counterparts and Facsimile

This Agreement may be executed in counterparts and by facsimile or email transmission and by different parties in separate counterparts, each of which when so executed shall be deemed an original and all of which, taken together, shall constitute one and the same instrument.

[signature page follows]

IN WITNESS WHEREOF the parties hereto have executed this Agreement as of the date and year first above written.

DELTA CEDAR SPECIALTIES LTD.

By: 

Name: DEAN GASKINS
(Authorized Signatory)

SKEENA SAWMILLS LTD.

By: 

Name: ROGER KEEN
(Authorized Signatory)

A-1

Schedule "A"**Licenses**

Tree Farm License 41
Forest License A16855
Forest License A16882

B-1

20

Schedule "B"

Cedar Log Specifications

(See attached.)



Western Red Cedar Sorting Specs

Page 1

Sept 2021

Cedar Higrade

Top Diameter: D Grade 30" (38 rads)
F Grade 35" (44 rads)

Slabs: 20" x 30"
25r x 38r

Min Length: 5.1m

Prime Lengths 15.2, 12.5, 11.3, 10.1, 6.3, 5.1
Secondary Lengths: 14.4, 12.0, 10.7, 9.5, 8.8, 7.6, 5.7

Prime's are PRIORITY
Secondary's USE ONLY WHEN NO OTHER OPTION

Butt cuts only.

Butt rot and shake limited to 1/4 of butt diameter inside flare. Defect must be confined to the heart.

Top rot limited to 10% of top diameter.

No Twist, No Bark Seems, No Sweep, No end-to-end Checks. No dark coloured slabs with water shake or ring delamination.

Cedar Lumber

Top Diameter: 24"+ (30 rads) D & F only

Slabs: 20"x 20"
25r x 25r

Min Length: 5.1m

Prime Lengths 15.2, 12.5, 11.3, 10.1, 6.3, 5.1
Secondary Lengths: 14.4, 12.0, 10.7, 9.5, 8.8, 7.6, 5.7

Prime's are PRIORITY
Secondary's USE ONLY WHEN NO OTHER OPTION

Mostly butt cuts.

Butt rot and shake limited to 1/4 of butt diameter inside flare. Defect must be confined to the heart.

Top rot limited to 10% of top diameter.

No Twist, No Bark Seems, No Sweep, No end-to-end Checks. No dark coloured slabs with water shake or ring delamination.

Cedar Oversize

Top Diameter: 24"+ (30 rads) D, F, K, Hi-line H

Slabs: 14" x 18"

Min Length: 5.1m

Prime Lengths 15.2, 12.5, 11.3, 10.1, 6.3, 5.1
Secondary Lengths: 14.4, 12.0, 10.7, 9.5, 8.8, 7.6, 5.7

Prime's are PRIORITY
Secondary's USE ONLY WHEN NO OTHER OPTION

Allows Second Cuts, minimal Twist, minimal Sweep and a single end-to-end check.

One side clear or 2 quadrants clear and 8" spacing where knots and indicators exist.

Butt rot and shake limited to 1/3 of butt diameter inside flare. Top rot limited to 10% of top diameter.

Slabs that are free of defect inside a minimum face 18" x 14" (23r x 18r) to allow reasonable lumber recovery and yield at least 50% of lumber in shop and clears.

Cedar K Slab / Sawable Shingle

Top Diameter: 20"+ (25 rads) K & L

Slabs: 14" x 18"

Min Length: 3.8m

Prime Lengths 15.2, 12.5, 11.3, 10.1, 6.3, 5.1
Secondary Lengths: 14.4, 12.0, 10.7, 9.5, 8.8, 7.6, 5.7

Prime's are PRIORITY
Secondary's USE ONLY WHEN NO OTHER OPTION

Logs with limited shingle defect suitable for sawmilling in a head-rig.

L logs must be surface clear and able to produce clear lumber.



Western Red Cedar Sorting Specs

Page 2 June 2020

Cedar Merch

Top Diameter: 15"+ (19 rads) H & I Grades

Min Length: 5.1m

Prime Lengths 15.2, 12.5, 11.3, 10.1, 6.3, 5.1
Secondary Lengths: 14.4, 12.0, 10.7, 9.5, 8.8, 7.6, 5.7

Prime's are PRIORITY
Secondary's USE ONLY WHEN NO OTHER OPTION

Butt rot limited to 1/3 butt diameter inside flare. Top rot limited to 10% of top diameter.
No end-to-end Rot or Shake and No Cross Checking.
No dry-side catface logs with loose or rotten knots.
No 50% to 74% recovery 'I' grade.

Cedar Gang

Top Diameter: 8"+ (10rads) J & U only max 10% U
7" + (9 rads) when over 10.1m

Min Length: 5.1m

Prime Lengths 15.2, 12.5, 11.3, 10.1, 6.3, 5.1
Secondary Lengths: 14.4, 12.0, 10.7, 9.5, 8.8, 7.6, 5.7

Prime's are PRIORITY
Secondary's USE ONLY WHEN NO OTHER OPTION

Logs under 5.1m go Utility.
Sound, straight, round logs only. Pistol grip must be eliminated.
3" dia max rot, No Rotten Knots, No Cat Face.
Gray ghost, sunchecking, soft knots belong in the utility sort.

Cedar Chip and Saw

Top Diameter: 5.5" to 8" (7rads to 10 rads) J & U only

Min Length: 5.1m

Prime Lengths 15.2, 12.5, 11.3, 10.1, 6.3, 5.1
Secondary Lengths: 14.4, 12.0, 10.7, 9.5, 8.8, 7.6, 5.7

Prime's are PRIORITY
Secondary's USE ONLY WHEN NO OTHER OPTION

Sound, straight, round logs only.
No Rot, No Sweep, No Cat Face.
No X grade.

Cedar Shingle

Top Diameter: 20" (25 rads) K, L, H Grades

Slabs: 15" x 15"
19r x 19r

Min Length: 3.2m Randoms over 3.2m allowed

These logs must cut out at least 50% of their gross scale as shingles or shakes and 25% of this product must be clear.

Cedar Utility Shingle

Top Diameter: 12" (15r) L, M, U Grades

Slabs: 12" x 12"
15r x 15r

Min Length: 3.2m Randoms over 3.2m allowed

This sort will contain some L grade and mostly M grade logs. U grade and X grade will be directed to the utility sort.
Excess rot and shatter must be bucked out.



Western Red Cedar Sorting Specs

Page 3 June 2020

Cedar Utility Sawlog

Top Diameter: 6" (8r) I, M, U Grades

Min Length: 3.8m Random lengths over 3.8m, buck Primes when possible.

Prime Lengths 15.2, 12.5, 11.3, 10.1, 6.3, 5.1, 3.8

Prime's are PRIORITY

Secondary Lengths: 14.4, 12.0, 10.7, 9.5, 8.8, 7.6, 5.7

Secondary's USE ONLY WHEN NO OTHER OPTION

This is a low grade sawlog sort. Rougher I, M, U grade logs will make up this sort. Pulpy butts and tops will be trimmed off. Excessively rough, defective, and/or misshapen logs must not be put into this sort. Minimum top on grey ghost logs will be 12"

Cedar Small Utility / Utility-X

Top Diameter: 6" (8r) X Grade Only

Min Length: 3.8m

Prime Lengths 15.2, 12.5, 11.3, 10.7, 6.4, 5.2, 4.4, 3.8, 3.2

Primes are PRIORITY

Secondary Lengths: 14.4, 12.0, 10.1, 9.5, 8.9, 7.6, 5.8

Secondary's USE ONLY WHEN NO OTHER OPTION

Cutable X grade goes here.
Soft knot and Grey Ghost allowed.

Schedule "C"**Form of Advance Note****GRID PROMISSORY NOTE****Date: [●], 20[●]****PROMISE TO PAY**

For value received, **SKEENA SAWMILLS LTD.** (the "**Borrower**") hereby promises to pay to or to the order of **DELTA CEDAR SPECIALTIES LTD.** (the "**Lender**") the applicable principal amount outstanding under this promissory note, as recorded from time to time by the Borrower and the Lender in the column with the header "Principal Amount Balance" (the "**Principal Amount**") on the record attached as a schedule hereto (the "**Grid**") until paid in full, as provided in the Log Purchase and Loan Agreement between the Borrower and the Lender, dated effective as of October [●], 2021 (the "**Agreement**").

PREPAYMENT

The Borrower shall repay the Principal Amount and any accrued and unpaid interest thereon by providing the Advance Offsets (as such term is defined in the Agreement) to the Lender, in accordance with the terms of the Agreement, which the Borrower and the Lender shall record as a deduction from the Principal Amount on the Grid.

The Borrower may pay all or a portion of the Principal Amount owed prior to the Maturity Date, without premium or penalty. Early payments will not, unless agreed to by the Lender in writing, relieve the Borrower of the Borrower's obligation to continue to provide the Advance Offsets in accordance with the Agreement. Rather, they will reduce the Principal Amount and may result in the Borrower providing the Advance Offsets for a shorter period of time.

PAYMENT

Within 30 calendar days after the effective date of termination of the Agreement, an Event of Default or at such earlier date as contemplated by the Agreement (in either case, the "**Maturity Date**"), the Borrower shall repay in full the unpaid balance of the Principal Amount and any accrued and unpaid interest thereon.

DEFAULT

The Borrower shall be in default if any of the following happens (each, an "**Event of Default**"):

- (a) the Borrower fails to make any payment when due, including paying all the balance of the Principal Amount and any accrued and unpaid interest thereon on the Maturity Date;
- (b) the Borrower is in breach of any of the material terms or conditions set forth in the Agreement, or fails or refuses to perform its material obligations thereunder (which, for greater certainty, includes the Minimum Volume Requirement (as defined in the Agreement, subject to a Major Event as described therein)), which breach or default has not been corrected within 30 calendar days from the date of receipt of written notice by the Lender. Notwithstanding the foregoing, if such breach or default cannot reasonably be cured within the 30-day period and the Borrower commences to rectify the breach or

default within the 30-day period and thereafter diligently and continuously take action to rectify the breach or default until cured, then an Event of Default shall not have occurred until the earlier of: (i) six months from the date of receipt by the Borrower of written notice by the Lender demanding correction; or (ii) when the Borrower ceases to diligently and continuously take action to rectify the breach or default; or

- (c) the Borrower becomes insolvent, a receiver is appointed for any of the Borrower's property, the Borrower makes an assignment for the benefit of creditors, or any proceeding is commenced either by the Borrower or against the Borrower under any bankruptcy or insolvency law.

LENDER'S RIGHTS

Upon the occurrence of an Event of Default, the Lender may declare the entire unpaid Principal Amount and any accrued and unpaid interest thereon immediately due, without notice, and demand repayment thereof.

INTEREST

This promissory note shall bear interest accruing at the prevailing Bank of Montreal prime rate plus 2% per annum. If repayment of the Principal Amount or the balance of the Principal Amount and any accrued and unpaid interest thereon, is not made on the Maturity Date, this promissory note shall bear interest accruing thereafter at a rate of 10% per annum.

COPIES

The Lender will retain the original copy of this promissory note, and will provide the Borrower with an electronic copy or photocopy from time to time, upon each update to the Grid, or upon request by the Borrower.

OTHER PROVISIONS

The Borrower waives demand and presentment for payment, notice of non-payment, protest, notice of protest and notice of dishonour. This promissory note will be governed by and construed in accordance with the laws of the Province of British Columbia and the federal laws of Canada applicable therein.

This promissory note shall not be transferable or assignable by the Borrower or the Lender.

Failure by or delay of the Lender in exercising any rights or remedies hereunder or under the Agreement shall not constitute a waiver of the right to exercise the same in the event of a subsequent default, or in the event of continuance of any existing default.

The invalidity or unenforceability of any provision of this promissory note shall not affect the other provisions of this promissory note.

Time is of the essence in this promissory note in all particulars.

[Signature page follows.]

C-1

Dated as of the date first written above.

SKEENA SAWMILLS LTD.

DELTA CEDAR SPECIALTIES LTD.

By: _____

Name:
Title:

By: _____

Name:
Title:

SCHEDULE TO
GRID PROMISSORY NOTE

Advance (A) or Advance Offset (AO)	Date of A or AO (DD/MM/YY)	Beginning Principal Amount	Amount of A or (AO)	Principal Amount Balance	A or AO Reference Number (Number of cheque, bank draft or wire confirmation)
Ex.: A	01/01/01	\$1,000.00	\$1,000.00	\$2,000.00	Cheque 12345
Ex. AO	02/02/02	\$2,000.00	(\$500.00)	\$1,500.00	Wire ABC678910

[illegible]

D-1

Schedule "D"
Form of Security Agreement

(See attached.)

SECURITY AGREEMENT

THIS AGREEMENT made as of the ____ day of October, 2021.

GRANTED BY: **SKEENA SAWMILLS LTD.**, a corporation incorporated under the laws of the Province of British Columbia

(herein called the "**Debtor**")

IN FAVOUR OF: **DELTA CEDAR SPECIALTIES LTD.**, a corporation organized under the laws of the Province of British Columbia

(herein called the "**Creditor**")

THIS AGREEMENT WITNESSES that, for good and valuable consideration, the Debtor agrees with the Creditor as follows:

ARTICLE 1 INTERPRETATION

1.1 Defined Terms. All capitalized terms which are used herein shall have the following meanings:

"**Accounts Receivable**" means all debts, accounts, account receivables, claims, monies and choses in action which now are, or which may at any time hereafter be, due or owing to or owned by the Debtor and all books, records, documents, papers and electronically recorded data recording, evidencing or relating to the said debts, accounts, claims, monies and choses in action or any part thereof.

"**Act**" means the *Personal Property Security Act* (British Columbia), as amended from time to time, and any regulations thereto.

"**Advance**" means the advance of up to \$3,000,000.00 made by the Creditor and accepted by the Debtor, including any accrued and unpaid interest thereon, pursuant to the terms of the Log Purchase and Loan Agreement and the Advance Notes.

"**Advance Note**" means a promissory note evidencing an Advance.

"**Business Day**" means any day other than a Saturday or a Sunday on which banks generally are open for business in Vancouver, British Columbia.

"**Collateral**" has the meaning set out in Section 2.1.

"**Documents**" means the Log Purchase and Loan Agreement and the Advance Note(s).

"**Event of Default**" has the meaning set out in Section 5.1.

"Inventory" means all inventory of the Debtor, including, without limiting the generality of the foregoing, logs, lumber, wood fiber, wood chips, goods acquired or held for sale or lease or furnished or to be furnished under contract, all raw materials, work in process, finished goods, returned goods, repossessed goods, and all packaging materials, supplies and containers relating to or used or consumed in connection with any of the foregoing, but excluding biofuel materials (such as sawdust, shavings and hog fuel).

"Log Purchase and Loan Agreement" means the log purchase and loan agreement between the Creditor and the Debtor dated as of the date hereof.

"Obligations" means, with respect to the Debtor, all debts, liabilities and obligations of performance, howsoever arising, owed by the Debtor to the Creditor of every kind and description (whether or not evidenced by any note or instrument and whether or not for the payment of money), direct or indirect, absolute or contingent, due or to become due, now existing or hereafter arising, pursuant to the terms of the Advance Notes or pursuant to the terms of Section 2.2(4) of the Log Purchase and Loan Agreement (as it relates to the Debtor's obligation to repay or return any portion of the Upfront Payment to the Creditor), as applicable, including all principal, interest, fees, charges, expenses, legal fees or amounts otherwise chargeable to the Debtor and payable by the Debtor under the Advance Notes and, to the extent required by Section 2.2(4) of the Log Purchase and Loan Agreement, the Debtor's obligation to repay or return all or a portion of the Upfront Payment.

"Proceeds" means all proceeds and personal property in any form derived directly or indirectly from any dealing with the Collateral or any part thereof and all proceeds of proceeds and any part thereof.

"Receiver" has the meaning set out in Section 5.2(a).

"Upfront Payment" has the meaning ascribed thereto in the Log Purchase and Loan Agreement.

Moreover, terms used herein without initial capitals and defined in the Act shall have the same meanings as in the Act unless the context otherwise requires.

1.2 Other Usages. References to "this agreement", "hereof", "herein", "hereto" and like references refer to this Security Agreement and the schedules hereto, as the same may be amended, modified, supplemented or replaced from time to time, and not to any particular Article, Section or other subdivision of this agreement.

1.3 Number and Gender. Where the context so requires, the singular number shall include the plural, the plural the singular, and the use of any gender shall be applicable to all genders.

1.4 Headings. The insertion of headings in this agreement is for convenience of reference only and shall not affect the construction or interpretation of this agreement.

1.5 Currency. Unless otherwise specified herein, all statements of or references to dollar amounts in this agreement shall mean lawful money of Canada.

1.6 Applicable Law and Attornment Clause. This agreement shall be deemed to be governed by and construed in accordance with the laws of the Province of British Columbia and

the laws of Canada applicable therein. The parties hereby attorn to the courts of the Province of British Columbia and agree that those courts shall have non-exclusive jurisdiction to determine all disputes relating to this agreement.

1.7 Prohibited Provisions. In the event that any provision or any part of any provision hereof is deemed to be invalid by reason of the operation of any law or by reason of the interpretation placed thereon by a court, this agreement shall be construed as not containing such provision or such part of such provision and the invalidity of such provision or such part shall not affect the validity of any other provision or the remainder of such provision hereof, and all other provisions hereof which are otherwise lawful and valid shall remain in full force and effect.

1.8 Time of the Essence. Time shall in all respects be of the essence of this agreement, and no extension or variation of this agreement or any obligation hereunder shall operate as a waiver of this provision.

1.9 Schedules. Each and every one of the schedules which is referred to in this agreement and attached to this agreement shall form a part of this agreement.

ARTICLE 2 SECURITY INTEREST

2.1 Grant of Security Interest. As general and continuing security for the payment and performance of all Obligations, the Debtor hereby grants to the Creditor a security interest in all of the Debtor's right, title and interest, both present and future, in and to all of its presently owned or held and after acquired or held Inventory and Accounts Receivable (the "**Collateral**"), of whatsoever nature or kind and wheresoever situate, and in and to all Proceeds and renewals thereof and therefrom, all accretions thereto and substitutions therefor.

2.2 Attachment of Security Interest. The parties hereby acknowledge that:

- (a) value has been given;
- (b) the Debtor has, or in the case of any after acquired property, will have, rights in the Collateral; and
- (c) the parties have not agreed to postpone the time for attachment of the security interest created by this agreement.

ARTICLE 3 REPRESENTATIONS, WARRANTIES AND COVENANTS OF THE DEBTOR

3.1 Warranties and Covenants. The Debtor hereby represents, warrants and covenants to the Creditor as follows:

- (a) The locations specified in Schedule "A" of business operations and the registered and records office of the Debtor are accurate and complete.

- (b) the Debtor has good right and lawful authority to grant a security interest in the Collateral as provided by this agreement and such Collateral is free and clear of any and all liens.
- (c) the Debtor shall comply with all applicable laws, rules and regulations in a proper and efficient manner so as to preserve and protect the Collateral, maintain the validity and effectiveness of the security interest created by this agreement and the business and undertaking of the Debtor.
- (d) the Debtor shall do, execute, acknowledge and deliver such financing statements and further assignments, transfers, documents, acts and things as may be reasonably requested by the Creditor in order to give effect to these presents and to confirm and perfect the security interest hereby granted.

ARTICLE 4 RESTRICTIONS

4.1 General Restrictions. Except as herein provided or except as provided in the Documents, as applicable, the Debtor shall not, without the prior written consent of the Creditor:

- (a) sell, lease or otherwise dispose of the Collateral, except in the normal course of business consistent with past practice; or
- (b) release, surrender or abandon possession of the Collateral.

4.2 Release by the Creditor. The Creditor may, at its discretion, at any time release from the security interest created by this agreement any part or parts of the Collateral or any other security or any surety for the Obligations either with or without sufficient consideration therefor without thereby releasing any other part of the Collateral or any person from this agreement.

4.3 Prohibitions. Without the prior written consent of the Creditor, the Debtor shall not and shall not have power to create or permit to exist any security interest against any of the Collateral which ranks or could in any event rank in priority to or *pari passu* with any security interest created by this agreement.

ARTICLE 5 ENFORCEMENT

5.1 Enforcement. The occurrence of any one or more of the following shall constitute default hereunder unless waived by the Creditor (herein called an “**Event of Default**”):

- (a) The occurrence of a default as provided in the Documents, as applicable.
- (b) Any term, covenant or representation of this agreement is breached and the Debtor does not remedy such breach within 10 calendar days after receipt of written notice from the Creditor.

5.2 Remedies. Upon any Event of Default under this agreement the Creditor may declare any or all of the Obligations not payable on demand to become immediately due and payable and

the security hereby constituted will immediately become enforceable. To enforce and realize on the security constituted by this agreement the Creditor may take any action permitted by law or in equity, as it may deem expedient, and in particular without limiting the generality of the foregoing, the Creditor may do any of the following:

- (a) appoint by instrument a receiver, receiver and manager or receiver-manager (the person so appointed is hereinafter called the "**Receiver**") of the Collateral, with or without bond as the Creditor may determine, and from time to time in its absolute discretion remove such Receiver and appoint another in its stead;
- (b) subject to the rights of any applicable third parties, enter upon any premises where any of the Collateral may be located and take possession of all or any part of the Collateral with power to exclude the Debtor, its agents and its servants therefrom, without becoming liable as a mortgagee in possession;
- (c) preserve, protect and maintain the Collateral and make such replacements thereof and repairs and additions thereto as the Creditor may deem advisable; or
- (d) sell, lease or otherwise dispose of all or any part of the Collateral, whether by public or private sale or lease or otherwise, in such manner, at such price as can be reasonably obtained therefor and on such terms as to credit and with such conditions of sale and stipulations as to title or conveyance or evidence of title or otherwise as is reasonable, provided that if any sale is on credit the Debtor will not be entitled to be credited with the proceeds of any such sale, lease or other disposition until the monies therefor are actually received.

5.3 Receiver as Creditor. A Receiver appointed pursuant to this agreement shall be the agent of the Debtor and not of the Creditor and to the extent permitted by law or to such lesser extent permitted by its appointment, shall have all the powers of the Creditor hereunder. The Creditor shall not be liable for the acts or omissions of the Receiver and the Debtor authorizes the Creditor to give instructions to the Receiver relating to the performance of its duties as set out herein.

5.4 Indulgences and Releases. The Creditor may grant extensions of time and other indulgences, take and give up security, accept compositions, compound, compromise, settle, grant releases and discharges, refrain from perfecting or maintaining perfection of security interests, and otherwise deal with the Debtor, account debtors of the Debtor, sureties and others and with the Collateral and other security interests as the Creditor may see fit without prejudice to the liability of the Debtor or the Creditor's right to hold and realize on the security constituted by this agreement.

5.5 No Liability for Failure to Exercise Remedies. The Creditor shall not be liable or accountable to the Debtor or to any other person for any failure to exercise any of the rights, powers and remedies set out in Section 5.2, and shall not be bound to commence, continue or defend proceedings for the purpose of preserving or protecting any rights of the Creditor, the Debtor or any other party in respect of the same.

5.6 Proceeds of Disposition. All amounts realized from the disposition of the Collateral pursuant to this agreement shall be applied as follows:

- (a) in payment of all reasonable costs and expenses incurred by the Creditor in the exercise of all or any of the powers granted to it under this agreement and in payment of all of the remuneration of the Receiver and all reasonable costs and expenses properly incurred by the Receiver in the exercise of all or any of the powers granted to it under this agreement;
- (b) to the payment to the Creditor of all principal and other monies (except interest) due in respect of the Obligations; and
- (c) in payment to the Creditor of all interest remaining unpaid in respect of the Obligations. Subject to applicable law, any surplus will be paid to the Debtor.

5.7 The Debtor Liable for Deficiency. If amounts realized from the disposition of the Collateral are not sufficient to pay the Obligations in full, the Debtor shall promptly pay the Creditor the amount of such deficiency.

5.8 Rights Cumulative. All rights and remedies of the Creditor set out in this agreement shall be cumulative and no right or remedy contained herein is intended to be exclusive but each shall be in addition to every other right or remedy contained herein or in any existing or future security document or now or hereafter existing at law or in equity or by statute. The taking of a judgment or judgments with respect to any of the Obligations shall not operate as a merger of any of the covenants contained in this agreement.

5.9 Care by the Creditor. The Creditor shall be deemed to have exercised reasonable care in the custody and preservation of any of the Collateral in the Creditor's possession if it takes such action for that purpose as the Debtor requests in writing, but failure of the Creditor to comply with any such request shall not be deemed to be (or to be evidence of) a failure to exercise reasonable care, and no failure of the Creditor to preserve or protect any rights with respect to such Collateral against prior parties, or to do any act with respect to the preservation of such Collateral not so requested by the Debtor, shall be deemed a failure to exercise reasonable care in the custody or preservation of such Collateral.

ARTICLE 6 GENERAL

6.1 Waiver. The Creditor may from time to time and at any time waive in whole or in part any right, benefit or default under any clause of this agreement but any such waiver of any right, benefit or default on any occasion shall be deemed not to be a waiver of any such right, benefit or default thereafter, or of any other right, benefit or default, as the case may be.

6.2 Satisfaction and Discharge. The Debtor shall be entitled to a release and discharge of this agreement upon full payment, performance and satisfaction of the Obligations.

6.3 The Creditor as Attorney. The Debtor hereby irrevocably appoints the Creditor and any person further designated by the Creditor to be the attorney of the Debtor for and in the name of the Debtor, upon the security hereby constituted becoming enforceable, to execute and do any deeds, documents, transfers, demands, assignments, assurances, consents and things which the Debtor is obliged to sign, execute or do hereunder and, after the happening of any event by which the security hereby constituted becomes enforceable, to commence, continue and defend

any proceedings authorized to be taken hereunder and generally to use the name of the Debtor in the exercise of all or any of the powers hereby conferred on the Creditor.

None of the Creditor or its affiliates, officers, directors, employees, agents or representatives shall be responsible to the Debtor for any act or failure to act under any power of attorney or otherwise.

6.4 Further Assurances. The Debtor shall do, execute, acknowledge and deliver or cause to be done, executed, acknowledged and delivered, such further acts, deeds, mortgages, transfers and assurances and take all such further action or cause such further action to be taken as the Creditor shall reasonably require for the better assuring, charging, assigning and conferring unto the Creditor a security interest in the Collateral or property intended to be charged hereunder, or which the Debtor may hereafter become bound to charge in favour of the Creditor for the purpose of accomplishing and effecting the intention of this agreement.

6.5 Continuing Security. The security interest constituted hereby shall be deemed to be a continuing security for the Obligations until all of the Obligations from time to time are paid and performed in full and this agreement is terminated.

6.6 Notices. Any demand, notice or other communication in connection with this agreement shall be in writing and shall be personally delivered to an officer or other responsible employee of the addressee or sent by facsimile or registered mail, charges prepaid, at or to the address or facsimile number of the party set opposite its name below or to such other address or addresses, facsimile number or numbers as either party may from time to time designate to the other party in such manner. Any demand or notice which is personally delivered as aforesaid shall be deemed to have been validly and effectively given on the date of such delivery if such date is a Business Day and such delivery was made during normal business hours of the recipient; otherwise, it shall be deemed to have been validly and effectively given on the Business Day next following such date of delivery. Any demand or notice which is transmitted by facsimile shall be deemed to have been validly and effectively given on the date of transmission if such date is a Business Day and such transmission was made during normal business hours of the recipient; otherwise, it shall be deemed to have been validly and effectively given on the Business Day next following such date of transmission. Any demand or notice which is delivered by registered mail shall be deemed to have been validly and effectively given on the third Business Day following the date on which such demand or notice was posted by the sender.

In the case of the Debtor:

Skeena Sawmills Ltd.
1518-1030 West Georgia Street
Vancouver, B.C. V6E 2Y3

Attention: Roger Keery

In the case of the Creditor:

Delta Cedar Specialties Ltd.
10104 River Road,
Delta, B.C. V4C 2R3

Attention: Dean Garofano

6.7 Successors and Assigns. This agreement shall enure to the benefit of the Creditor and its successors and assigns and shall be binding upon the Debtor and its successors and permitted assigns. Neither the Creditor nor the Debtor shall be entitled to transfer or assign any of its rights or obligations hereunder.

6.8 Entire Agreement. Except for the Documents, as applicable, this agreement constitutes the entire agreement between the parties hereto and supersedes any prior agreements, undertakings, declarations, representations and undertakings, both written and oral, in respect of the subject matter hereof.

6.9 Receipt of Financing Statement, etc. The Debtor waives the right to receive any verification statements, financing statements or financing change statements related to this agreement.

6.10 Paramountcy. In the event of any conflict or inconsistency between the provisions of this agreement and the Documents, the provisions of: (i) the Log Purchase and Loan Agreement; and (ii) the Advance Note(s) shall prevail and be paramount, in that order. The fact that this agreement contains a provision not found in the Documents shall not be deemed a conflict or inconsistency.

IN WITNESS WHEREOF the Debtor has executed this agreement as of the date first above written.

SKEENA SAWMILLS LTD.

Per: _____

Name:

Title:

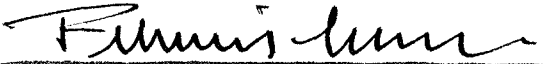
SCHEDULE A**Business Address**

Head Office
1518-1030 West Georgia Street
Vancouver, B.C. V6E 2Y3

Sawmill Plant
5330 Highway 16
Terrace, B.C. V8G 0C6

Registered and Records Office

1600 – 925 West Georgia Street
Vancouver, B.C. V6C 3L2

This is Exhibit " B "referred to in the
affidavit of Glen Franke
sworn before me on September 18 2023

A Commissioner for taking Affidavits
for British Columbia

SECURITY AGREEMENT

THIS AGREEMENT made as of the 4th day of October, 2021.

GRANTED BY: **SKEENA SAWMILLS LTD.**, a corporation incorporated under the laws of the Province of British Columbia

(herein called the "**Debtor**")

IN FAVOUR OF: **DELTA CEDAR SPECIALTIES LTD.**, a corporation organized under the laws of the Province of British Columbia

(herein called the "**Creditor**")

THIS AGREEMENT WITNESSES that, for good and valuable consideration, the Debtor agrees with the Creditor as follows:

ARTICLE 1 INTERPRETATION

1.1 Defined Terms. All capitalized terms which are used herein shall have the following meanings:

"**Accounts Receivable**" means all debts, accounts, account receivables, claims, monies and choses in action which now are, or which may at any time hereafter be, due or owing to or owned by the Debtor and all books, records, documents, papers and electronically recorded data recording, evidencing or relating to the said debts, accounts, claims, monies and choses in action or any part thereof.

"**Act**" means the *Personal Property Security Act* (British Columbia), as amended from time to time, and any regulations thereto.

"**Advance**" means the advance of up to \$3,000,000.00 made by the Creditor and accepted by the Debtor, including any accrued and unpaid interest thereon, pursuant to the terms of the Log Purchase and Loan Agreement and the Advance Notes.

"**Advance Note**" means a promissory note evidencing an Advance.

"**Business Day**" means any day other than a Saturday or a Sunday on which banks generally are open for business in Vancouver, British Columbia.

"**Collateral**" has the meaning set out in Section 2.1.

"**Documents**" means the Log Purchase and Loan Agreement and the Advance Note(s).

"**Event of Default**" has the meaning set out in Section 5.1.

"Inventory" means all inventory of the Debtor, including, without limiting the generality of the foregoing, logs, lumber, wood fiber, wood chips, goods acquired or held for sale or lease or furnished or to be furnished under contract, all raw materials, work in process, finished goods, returned goods, repossessed goods, and all packaging materials, supplies and containers relating to or used or consumed in connection with any of the foregoing, but excluding biofuel materials (such as sawdust, shavings and hog fuel).

"Log Purchase and Loan Agreement" means the log purchase and loan agreement between the Creditor and the Debtor dated as of the date hereof.

"Obligations" means, with respect to the Debtor, all debts, liabilities and obligations of performance, howsoever arising, owed by the Debtor to the Creditor of every kind and description (whether or not evidenced by any note or instrument and whether or not for the payment of money), direct or indirect, absolute or contingent, due or to become due, now existing or hereafter arising, pursuant to the terms of the Advance Notes or pursuant to the terms of Section 2.2(4) of the Log Purchase and Loan Agreement (as it relates to the Debtor's obligation to repay or return any portion of the Upfront Payment to the Creditor), as applicable, including all principal, interest, fees, charges, expenses, legal fees or amounts otherwise chargeable to the Debtor and payable by the Debtor under the Advance Notes and, to the extent required by Section 2.2(4) of the Log Purchase and Loan Agreement, the Debtor's obligation to repay or return all or a portion of the Upfront Payment.

"Proceeds" means all proceeds and personal property in any form derived directly or indirectly from any dealing with the Collateral or any part thereof and all proceeds of proceeds and any part thereof.

"Receiver" has the meaning set out in Section 5.2(a).

"Upfront Payment" has the meaning ascribed thereto in the Log Purchase and Loan Agreement.

Moreover, terms used herein without initial capitals and defined in the Act shall have the same meanings as in the Act unless the context otherwise requires.

1.2 Other Usages. References to "this agreement", "hereof", "herein", "hereto" and like references refer to this Security Agreement and the schedules hereto, as the same may be amended, modified, supplemented or replaced from time to time, and not to any particular Article, Section or other subdivision of this agreement.

1.3 Number and Gender. Where the context so requires, the singular number shall include the plural, the plural the singular, and the use of any gender shall be applicable to all genders.

1.4 Headings. The insertion of headings in this agreement is for convenience of reference only and shall not affect the construction or interpretation of this agreement.

1.5 Currency. Unless otherwise specified herein, all statements of or references to dollar amounts in this agreement shall mean lawful money of Canada.

1.6 Applicable Law and Attornment Clause. This agreement shall be deemed to be governed by and construed in accordance with the laws of the Province of British Columbia and

the laws of Canada applicable therein. The parties hereby attorn to the courts of the Province of British Columbia and agree that those courts shall have non-exclusive jurisdiction to determine all disputes relating to this agreement.

1.7 Prohibited Provisions. In the event that any provision or any part of any provision hereof is deemed to be invalid by reason of the operation of any law or by reason of the interpretation placed thereon by a court, this agreement shall be construed as not containing such provision or such part of such provision and the invalidity of such provision or such part shall not affect the validity of any other provision or the remainder of such provision hereof, and all other provisions hereof which are otherwise lawful and valid shall remain in full force and effect.

1.8 Time of the Essence. Time shall in all respects be of the essence of this agreement, and no extension or variation of this agreement or any obligation hereunder shall operate as a waiver of this provision.

1.9 Schedules. Each and every one of the schedules which is referred to in this agreement and attached to this agreement shall form a part of this agreement.

ARTICLE 2 SECURITY INTEREST

2.1 Grant of Security Interest. As general and continuing security for the payment and performance of all Obligations, the Debtor hereby grants to the Creditor a security interest in all of the Debtor's right, title and interest, both present and future, in and to all of its presently owned or held and after acquired or held Inventory and Accounts Receivable (the "**Collateral**"), of whatsoever nature or kind and wheresoever situate, and in and to all Proceeds and renewals thereof and therefrom, all accretions thereto and substitutions therefor.

2.2 Attachment of Security Interest. The parties hereby acknowledge that:

- (a) value has been given;
- (b) the Debtor has, or in the case of any after acquired property, will have, rights in the Collateral; and
- (c) the parties have not agreed to postpone the time for attachment of the security interest created by this agreement.

ARTICLE 3 REPRESENTATIONS, WARRANTIES AND COVENANTS OF THE DEBTOR

3.1 Warranties and Covenants. The Debtor hereby represents, warrants and covenants to the Creditor as follows:

- (a) The locations specified in Schedule "A" of business operations and the registered and records office of the Debtor are accurate and complete.

- (b) the Debtor has good right and lawful authority to grant a security interest in the Collateral as provided by this agreement and such Collateral is free and clear of any and all liens.
- (c) the Debtor shall comply with all applicable laws, rules and regulations in a proper and efficient manner so as to preserve and protect the Collateral, maintain the validity and effectiveness of the security interest created by this agreement and the business and undertaking of the Debtor.
- (d) the Debtor shall do, execute, acknowledge and deliver such financing statements and further assignments, transfers, documents, acts and things as may be reasonably requested by the Creditor in order to give effect to these presents and to confirm and perfect the security interest hereby granted.

ARTICLE 4 RESTRICTIONS

4.1 General Restrictions. Except as herein provided or except as provided in the Documents, as applicable, the Debtor shall not, without the prior written consent of the Creditor:

- (a) sell, lease or otherwise dispose of the Collateral, except in the normal course of business consistent with past practice; or
- (b) release, surrender or abandon possession of the Collateral.

4.2 Release by the Creditor. The Creditor may, at its discretion, at any time release from the security interest created by this agreement any part or parts of the Collateral or any other security or any surety for the Obligations either with or without sufficient consideration therefor without thereby releasing any other part of the Collateral or any person from this agreement.

4.3 Prohibitions. Without the prior written consent of the Creditor, the Debtor shall not and shall not have power to create or permit to exist any security interest against any of the Collateral which ranks or could in any event rank in priority to or *pari passu* with any security interest created by this agreement.

ARTICLE 5 ENFORCEMENT

5.1 Enforcement. The occurrence of any one or more of the following shall constitute default hereunder unless waived by the Creditor (herein called an “**Event of Default**”):

- (a) The occurrence of a default as provided in the Documents, as applicable.
- (b) Any term, covenant or representation of this agreement is breached and the Debtor does not remedy such breach within 10 calendar days after receipt of written notice from the Creditor.

5.2 Remedies. Upon any Event of Default under this agreement the Creditor may declare any or all of the Obligations not payable on demand to become immediately due and payable and

the security hereby constituted will immediately become enforceable. To enforce and realize on the security constituted by this agreement the Creditor may take any action permitted by law or in equity, as it may deem expedient, and in particular without limiting the generality of the foregoing, the Creditor may do any of the following:

- (a) appoint by instrument a receiver, receiver and manager or receiver-manager (the person so appointed is hereinafter called the "**Receiver**") of the Collateral, with or without bond as the Creditor may determine, and from time to time in its absolute discretion remove such Receiver and appoint another in its stead;
- (b) subject to the rights of any applicable third parties, enter upon any premises where any of the Collateral may be located and take possession of all or any part of the Collateral with power to exclude the Debtor, its agents and its servants therefrom, without becoming liable as a mortgagee in possession;
- (c) preserve, protect and maintain the Collateral and make such replacements thereof and repairs and additions thereto as the Creditor may deem advisable; or
- (d) sell, lease or otherwise dispose of all or any part of the Collateral, whether by public or private sale or lease or otherwise, in such manner, at such price as can be reasonably obtained therefor and on such terms as to credit and with such conditions of sale and stipulations as to title or conveyance or evidence of title or otherwise as is reasonable, provided that if any sale is on credit the Debtor will not be entitled to be credited with the proceeds of any such sale, lease or other disposition until the monies therefor are actually received.

5.3 Receiver as Creditor. A Receiver appointed pursuant to this agreement shall be the agent of the Debtor and not of the Creditor and to the extent permitted by law or to such lesser extent permitted by its appointment, shall have all the powers of the Creditor hereunder. The Creditor shall not be liable for the acts or omissions of the Receiver and the Debtor authorizes the Creditor to give instructions to the Receiver relating to the performance of its duties as set out herein.

5.4 Indulgences and Releases. The Creditor may grant extensions of time and other indulgences, take and give up security, accept compositions, compound, compromise, settle, grant releases and discharges, refrain from perfecting or maintaining perfection of security interests, and otherwise deal with the Debtor, account debtors of the Debtor, sureties and others and with the Collateral and other security interests as the Creditor may see fit without prejudice to the liability of the Debtor or the Creditor's right to hold and realize on the security constituted by this agreement.

5.5 No Liability for Failure to Exercise Remedies. The Creditor shall not be liable or accountable to the Debtor or to any other person for any failure to exercise any of the rights, powers and remedies set out in Section 5.2, and shall not be bound to commence, continue or defend proceedings for the purpose of preserving or protecting any rights of the Creditor, the Debtor or any other party in respect of the same.

5.6 Proceeds of Disposition. All amounts realized from the disposition of the Collateral pursuant to this agreement shall be applied as follows:

- (a) in payment of all reasonable costs and expenses incurred by the Creditor in the exercise of all or any of the powers granted to it under this agreement and in payment of all of the remuneration of the Receiver and all reasonable costs and expenses properly incurred by the Receiver in the exercise of all or any of the powers granted to it under this agreement;
- (b) to the payment to the Creditor of all principal and other monies (except interest) due in respect of the Obligations; and
- (c) in payment to the Creditor of all interest remaining unpaid in respect of the Obligations. Subject to applicable law, any surplus will be paid to the Debtor.

5.7 The Debtor Liable for Deficiency. If amounts realized from the disposition of the Collateral are not sufficient to pay the Obligations in full, the Debtor shall promptly pay the Creditor the amount of such deficiency.

5.8 Rights Cumulative. All rights and remedies of the Creditor set out in this agreement shall be cumulative and no right or remedy contained herein is intended to be exclusive but each shall be in addition to every other right or remedy contained herein or in any existing or future security document or now or hereafter existing at law or in equity or by statute. The taking of a judgment or judgments with respect to any of the Obligations shall not operate as a merger of any of the covenants contained in this agreement.

5.9 Care by the Creditor. The Creditor shall be deemed to have exercised reasonable care in the custody and preservation of any of the Collateral in the Creditor's possession if it takes such action for that purpose as the Debtor requests in writing, but failure of the Creditor to comply with any such request shall not be deemed to be (or to be evidence of) a failure to exercise reasonable care, and no failure of the Creditor to preserve or protect any rights with respect to such Collateral against prior parties, or to do any act with respect to the preservation of such Collateral not so requested by the Debtor, shall be deemed a failure to exercise reasonable care in the custody or preservation of such Collateral.

ARTICLE 6 GENERAL

6.1 Waiver. The Creditor may from time to time and at any time waive in whole or in part any right, benefit or default under any clause of this agreement but any such waiver of any right, benefit or default on any occasion shall be deemed not to be a waiver of any such right, benefit or default thereafter, or of any other right, benefit or default, as the case may be.

6.2 Satisfaction and Discharge. The Debtor shall be entitled to a release and discharge of this agreement upon full payment, performance and satisfaction of the Obligations.

6.3 The Creditor as Attorney. The Debtor hereby irrevocably appoints the Creditor and any person further designated by the Creditor to be the attorney of the Debtor for and in the name of the Debtor, upon the security hereby constituted becoming enforceable, to execute and do any deeds, documents, transfers, demands, assignments, assurances, consents and things which the Debtor is obliged to sign, execute or do hereunder and, after the happening of any event by which the security hereby constituted becomes enforceable, to commence, continue and defend

any proceedings authorized to be taken hereunder and generally to use the name of the Debtor in the exercise of all or any of the powers hereby conferred on the Creditor.

None of the Creditor or its affiliates, officers, directors, employees, agents or representatives shall be responsible to the Debtor for any act or failure to act under any power of attorney or otherwise.

6.4 Further Assurances. The Debtor shall do, execute, acknowledge and deliver or cause to be done, executed, acknowledged and delivered, such further acts, deeds, mortgages, transfers and assurances and take all such further action or cause such further action to be taken as the Creditor shall reasonably require for the better assuring, charging, assigning and conferring unto the Creditor a security interest in the Collateral or property intended to be charged hereunder, or which the Debtor may hereafter become bound to charge in favour of the Creditor for the purpose of accomplishing and effecting the intention of this agreement.

6.5 Continuing Security. The security interest constituted hereby shall be deemed to be a continuing security for the Obligations until all of the Obligations from time to time are paid and performed in full and this agreement is terminated.

6.6 Notices. Any demand, notice or other communication in connection with this agreement shall be in writing and shall be personally delivered to an officer or other responsible employee of the addressee or sent by facsimile or registered mail, charges prepaid, at or to the address or facsimile number of the party set opposite its name below or to such other address or addresses, facsimile number or numbers as either party may from time to time designate to the other party in such manner. Any demand or notice which is personally delivered as aforesaid shall be deemed to have been validly and effectively given on the date of such delivery if such date is a Business Day and such delivery was made during normal business hours of the recipient; otherwise, it shall be deemed to have been validly and effectively given on the Business Day next following such date of delivery. Any demand or notice which is transmitted by facsimile shall be deemed to have been validly and effectively given on the date of transmission if such date is a Business Day and such transmission was made during normal business hours of the recipient; otherwise, it shall be deemed to have been validly and effectively given on the Business Day next following such date of transmission. Any demand or notice which is delivered by registered mail shall be deemed to have been validly and effectively given on the third Business Day following the date on which such demand or notice was posted by the sender.

In the case of the Debtor:

Skeena Sawmills Ltd.
1518-1030 West Georgia Street
Vancouver, B.C. V6E 2Y3

Attention: Roger Keery

In the case of the Creditor:

Delta Cedar Specialties Ltd.
10104 River Road,
Delta, B.C. V4C 2R3

Attention: Dean Garofano

6.7 Successors and Assigns. This agreement shall enure to the benefit of the Creditor and its successors and assigns and shall be binding upon the Debtor and its successors and permitted assigns. Neither the Creditor nor the Debtor shall be entitled to transfer or assign any of its rights or obligations hereunder.

6.8 Entire Agreement. Except for the Documents, as applicable, this agreement constitutes the entire agreement between the parties hereto and supersedes any prior agreements, undertakings, declarations, representations and undertakings, both written and oral, in respect of the subject matter hereof.

6.9 Receipt of Financing Statement, etc. The Debtor waives the right to receive any verification statements, financing statements or financing change statements related to this agreement.

6.10 Paramountcy. In the event of any conflict or inconsistency between the provisions of this agreement and the Documents, the provisions of: (i) the Log Purchase and Loan Agreement; and (ii) the Advance Note(s) shall prevail and be paramount, in that order. The fact that this agreement contains a provision not found in the Documents shall not be deemed a conflict or inconsistency.

IN WITNESS WHEREOF the Debtor has executed this agreement as of the date first above written.

SKEENA SAWMILLS LTD.

Per: _____

Name: _____

Title: _____

SCHEDULE A**Business Address**

Head Office
1518-1030 West Georgia Street
Vancouver, B.C. V6E 2Y3

Sawmill Plant
5330 Highway 16
Terrace, B.C. V8G 0C6

Registered and Records Office

1600 – 925 West Georgia Street
Vancouver, B.C. V6C 3L2

This is Exhibit " C "referred to in the
affidavit of Glen Franke
sworn before me on September 18, 23


A Commissioner for taking Affidavits
for British Columbia



PERSONAL PROPERTY REGISTRY SEARCH RESULT

BC Registries and Online Services

50

Base Registration Number: 282094N

Registration Description:	PPSA SECURITY AGREEMENT
Act:	PERSONAL PROPERTY SECURITY ACT
Base Registration Date and Time:	October 4, 2021 at 10:53:39 am Pacific time
Current Expiry Date and Time:	October 4, 2026 at 11:59:59 pm Pacific time Expiry date includes subsequent registered renewal(s)
Trust Indenture:	No

CURRENT REGISTRATION INFORMATION

(as of September 15, 2023 at 4:26:59 pm Pacific time)

Secured Party Information

DELTA CEDAR SPECIALTIES LTD.

Address

10104 RIVER ROAD
DELTA BC
V4C 2R3 Canada

Debtor Information

SKEENA SAWMILLS LTD.

Address

1518-1030 W. GEORGIA STREET
VANCOUVER BC
V6E 2Y3 Canada

Vehicle Collateral

None

General Collateral

Base Registration General Collateral:

A SECURITY INTEREST IN ALL OF THE DEBTOR'S RIGHT, TITLE AND INTEREST BOTH PRESENT AND FUTURE, IN AND TO ALL OF ITS PRESENTLY OWNED OR HELD AND AFTER ACQUIRED OR HELD INVENTORY OF THE DEBTOR, INCLUDING, WITHOUT LIMITING THE GENERALITY OF THE FOREGOING, LOGS, LUMBER, WOOD FIBER, WOOD CHIPS, GOODS ACQUIRED OR HELD FOR SALE OR LEASE OR ,FURNISHED OR TO BE FURNISHED UNDER CONTRACT, ALL RAW MATERIALS, WORK IN PROCESS, FINISHED GOODS, RETURNED GOODS, REPOSSESSED GOODS, AND ALL PACKAGING MATERIALS, SUPPLIES AND CONTAINERS RELATING TO OR USED OR CONSUMED IN CONNECTION WITH ANY OF THE FORE- GOING, BUT EXCLUDING BIOFUEL MATERIALS (SUCH AS SAWDUST, SHAVINGS ,AND HOG FUEL) AND ACCOUNTS RECEIVABLE (COLLECTIVELY,THE \COLLATERAL\), OF WHATSOEVER NATURE OR KIND AND WHERESOEVER SITUATE, AND IN AND TO ALL PROCEEDS AND RENEWALS THEREOF AND THEREFROM, ALL ACCRETIONS THERETO AND SUBSTITUTIONS THEREFOR.

Original Registering Party

SANGRA,MOLLER

Address

1000-925 GEORGIA ST.
VANCOUVER BC
V6C 3L2 Canada

No. S236214
Vancouver Registry

In the Supreme Court of British Columbia

Between:

1392752 BC Ltd.

Petitioner

And:

Skeena Sawmills Ltd.
Skeena Bioenergy Ltd.
ROC Holdings Ltd.

Respondents

AFFIDAVIT

KORNFELD LLP
Barristers & Solicitors
1100-505 Burrard Street
Vancouver, B.C. V7X 1M5
Telephone: (604) 331-8300

FL (DEL015139231)