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COURT

COURT OF KING'S BENCH OF ALBERTA

JUDICIAL CENTRE

CALGARY



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

C100802
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APPLICANTS

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

DOCUMENT

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

OCTOBER 11, 2023

ADDRESS FOR SERVICE AND
CONTACT INFORMATION OF
PARTY FILING THIS
DOCUMENT

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TRUSTEE**

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INTRODUCTION

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

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

Proposal Trustee, its independent legal counsel, legal counsel to the Companies, and the Restructuring Advisor, such charge to be in priority to all other security interests, liens and other encumbrances; and

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

4. On October 10, 2023, the Companies served a notice of application to the service list of interested parties in this matter, seeking among other things:

- a) approving the proposed sales and investment solicitation process (“SISP”); and
- b) authorizing and directing the Restructuring Advisor to implement the SISP.

PURPOSE

5. The purpose of this Second Report is to provide this Honourable Court and the Companies’ stakeholders with information, and the Proposal Trustee’s comments, in respect of the following:

- a) the activities of the Companies and of the Proposal Trustee to and since the filing of the First Report dated September 18, 2023 (the “**First Report**”);
- b) the components and timing of the SISP;
- c) the Companies’ cash flow actual receipts and disbursements as compared to the cash flow statement outlined in the First Report; and
- d) the Proposal Trustee’s recommendations with respect to the above.

TERMS OF REFERENCE

6. In preparing this Report, the Proposal Trustee has relied upon unaudited financial information and other information provided by the Companies and other third parties. The Proposal Trustee has not performed an audit, review, or other verification of such information. An examination of the financial forecast as outlined in the *Chartered Professional Accountants of Canada Handbook* has not been performed.
7. Future oriented financial information relied upon in this Report is based on the Companies' assumptions regarding future events and actual results achieved will vary from this information and the variations may be material.
8. All references to dollars are in Canadian currency unless otherwise noted.

LIMITATION IN SCOPE OF REVIEW

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

ACTIVITIES OF THE COMPANIES AND THE PROPOSAL TRUSTEE

13. Since the First Report, the Proposal Trustee and the Companies' management ("**Management**") have engaged in the following activities:

- a) various discussions between Management, the Proposal Trustee, Torys LLP ("**Torys**") (independent legal counsel to the Proposal Trustee) and the Companies' legal counsel relating to matters relevant to the NOI Proceedings;
- b) communications and meetings between Management, the Proposal Trustee, Torys, the Companies' legal counsel and the Restructuring Advisor relating to the development and planning of the SISP;
- c) communication and a meeting between the Proposal Trustee, Torys, Signal Alpha C4 Limited ("**Signal**") and Trafigura Canada Limited ("**Trafigura**") (together, the "**Senior Secured Lenders**") and the Senior Secured Lenders' counsel relating to matters relevant to the NOI Proceedings;
- d) various communication and meetings between the Proposal Trustee, the Restructuring Advisor and respective counsel to the Companies and to the Proposal Trustee regarding the development and planning of the SISP, and communication with the Restructuring Advisor and the Senior Secured Lenders on the same;
- e) communications and a meeting between the Proposal Trustee and Tamarack Valley Energy Ltd. ("**Tamarack**") relating to matters relevant to the NOI Proceedings and the development and planning of the SISP;
- f) communications and ongoing meetings between Management, the Proposal Trustee and Sproule Asset Management ("**Sproule**") respecting operations and financial cash flow reporting; and
- g) ongoing monitoring of the Companies' financial affairs, and other activities by the Proposal Trustee.

SALES AND INVESTMENT SOLICITATION PROCESS

14. The Companies have determined that it is in the best interests of their creditors and other stakeholders for the Companies to undertake a restructuring process. The SISP is the central component of the restructuring process. The Companies, with the assistance of the Restructuring Advisor, will market their business pursuant to a robust SISP which is designed to ensure that a wide range of potential interested parties are canvased that will enable the Companies to receive the best possible offer to maximize value of their estates for the benefit of all stakeholders within these NOI Proceedings.
15. The Companies, with the support of the Proposal Trustee, believe that the SISP provides for the greatest flexibility in soliciting and selecting bids from interested parties for the sale of or investment in the business and/or assets of the Companies, or for a refinancing, reorganization, recapitalization, restructuring, joint-venture, merger or other business transaction involving the Companies, or some combination thereof, and will provide the greatest opportunity for the Companies to complete a restructuring of their operational and financial affairs.
16. The SISP describes, among other things: (a) the manner and timelines by which any interested party may gain access to due diligence materials concerning the Companies and their business; (b) the manner and timelines by which potential bidders may submit an offer for an investment in the Companies or an offer to purchase some or all of GPOC's assets, property, undertakings and/or shares; (c) the manner in which potential bidders and bids become Qualified Bidders and Qualified Bids (as defined below), respectively; (d) the receipt and negotiation of bids received; and (e) the ultimate selection of one or more bids, and the approval thereof by this Honourable Court.

Summary of the SISP

17. A copy of the SISP is attached as Appendix “A”. The Proposal Trustee has summarized certain key points of the SISP below. All Prospective Bidders (defined below) are advised to review the SISP document in detail.
18. The SISP is intended to solicit interest in, and opportunities for: (a) the purchase of some or all of the assets of GPOC (each, an “**Asset Transaction**”); (b) an investment in GPOC, including through the purchase or acquisition of some or all of the shares of GPOC (each, a “**Share Transaction**”); (c) a refinancing of the Companies through the provision of take-out or additional financing in the Companies (each, a “**Refinancing Transaction**”), or some combination thereof (each, a “**Transaction**”).
19. All interested parties are encouraged to submit Qualified Bids based on any configuration they wish, provided, however, that in no cases shall an Asset Transaction or a Share Transaction include the shares or assets of Spicelo. In all cases, the shares and/or assets of Spicelo shall be limited in this SISP to a Refinancing Transaction.
20. The limitation on transacting the shares and/or assets of Spicelo is in respect of the lock-up period which restricts Spicelo (or for that matter, the Senior Secured Lenders) from selling or assigning, offering to sell, contracting or agreeing to sell, hypothecating, pledging, granting any option to purchase or otherwise disposing of or agreeing to dispose of, directly or indirectly, or establishing or increasing a put equivalent position or liquidation with respect to or decreasing a call equivalent position for six months following the commencement of trading of the shares of Greenfire Resources Ltd., which occurred on September 21, 2023.
21. The SISP shall be conducted subject to the terms set out in this Report and the following key milestones:

Milestone	Date
SISP advertisement and distribute Teaser and NDA	October 25, 2023
Due diligence period (NDAs signed, access to VDR granted and site visits organized)	October 25, 2023 to January 8, 2024
Final Bid Deadline	January 8, 2024
Bid assessment	January 15, 2024
Notification of Auction Date (if applicable)	January 22, 2024
Auction Date (if applicable)	January 24, 2024
Period of time to finalize definitive documents for Successful Bid (if applicable)	~January 26, 2024 (if no Auction) ~February 5, 2024 (if Auction)
Court approval of Successful Bid (if applicable)	~January 30, 2024 (if no Auction) ~February 9, 2024 (if Auction)

22. The Companies and the Proposal Trustee, with the assistance of the Restructuring Advisor, will use reasonable efforts to complete the SISP in accordance with the SISP procedure document. The Proposal Trustee may make such adjustments to the timeline that it determines are reasonably necessary in order to accommodate unforeseen circumstances and/or to best facilitate the SISP to maximize the value of the Companies for the benefit of stakeholders, in all cases upon notice to all interested parties actively participating in the SISP at the applicable time.
23. Except to the extent set forth in the Definitive Agreement with the Successful Bidder (each as defined below), any Asset Transaction or Share Transaction will be on an “as is, where is” basis, and will specifically exclude any surviving representations, warranties, covenants or indemnities of any kind, nature, or description by the Companies, or any one of them, or their respective agents.
24. All of the right, title and interest of GPOC in and to any assets sold or transferred within the SISP will, at the time of such sale or transfer, be sold or transferred free and clear of any security, charge or other restriction (collectively, the “**Claims and**

Interests”) pursuant to any approval and vesting order(s) or reverse vesting order(s) granted by the Court and section 65.13 of the BIA. Contemporaneous with such approval and vesting order(s) or reverse vesting order(s) being made, all such Claims and Interests shall attach to the net proceeds of the sale of such assets (without prejudice to any claims or causes of action regarding the priority, validity or enforceability thereof), except to the extent otherwise set forth in the Definitive Agreement with the Successful Bidder (each as defined below) and as approved by the Court.

25. The key components of the SISP are as follows (with capitalized terms used but not defined below intended to bear their respective meanings as defined in the SISP):
- a) the Restructuring Advisor, in consultation with the Companies and the Proposal Trustee, will prepare (i) a list of prospective bidders, including both strategic and financing parties who, in the reasonable business judgment of the Restructuring Advisor and the Companies, and in consultation with the Proposal Trustee, may be interested in and have the financial capacity to make a Qualified Bid (“**Prospective Bidders**”); and (ii) an initial offering summary (the “**Teaser**”) describing and outlining the SISP and inviting Prospective Bidders to make a Qualified Bid;
 - b) the Restructuring Advisor shall, in consultation with the Companies and the Proposal Trustee (i) cause a notice regarding the SISP and such other relevant to be published in the *BOE Report*, *Facility Calgary*, the *Daily Oil Bulletin*, the *Insolvency Insider* and *The Globe and Mail* (National Edition); and (ii) distribute to Prospective Bidders the Teaser and a draft confidentiality and nondisclosure agreement (the “**NDA**”) in a form satisfactory to the Companies, in consultation with the Proposal Trustee;
 - c) any Prospective Bidder or other interested party who wishes to participate in the SISP must deliver the following to the Restructuring Advisor prior to the distribution of any confidential information by the

Companies and/or the Restructuring Advisor to such Prospective Bidder or interested party (including access to the confidential virtual data room (the “**VDR**”)):

- i. an executed NDA; and
 - ii. an executed letter acknowledging receipt of a copy of the SISP and agreeing to accept and be bound by the provisions contained therein and set out in this Report;
- d) a Prospective Bidder or other interested party that has complied with each of the foregoing requirements, and who the Restructuring Advisor, in consultation with the Companies and the Proposal Trustee, determines has a reasonable prospect of completing an Asset Transaction, a Sale Transaction or a Refinancing Transaction as contemplated in the SISP, will be deemed a “**Qualified Bidder**” and will be promptly notified of such classification by the Restructuring Advisor;
- e) the Restructuring Advisor shall provide any person deemed to be a Qualified Bidder with access to the VDR. Each Qualified Bidder shall have such access in the VDR to materials and financial and other information relating to the shares, the assets, the property and the business of the Companies as the Companies, in their reasonable business judgment and in consultation with the Proposal Trustee and the Restructuring Advisor, may deem appropriate for Qualified Bidders to conduct their due diligence;
- f) a Qualified Bidder that desires to propose a Transaction must deliver a final, written, binding offer (each, a “**Final Bid**”) to the Proposal Trustee not later than 4:00 p.m. MST on January 8, 2024 (the “**Final Bid Deadline**”);
- g) a Final Bid will only be considered a Qualified Bid if it is submitted by a Qualified Bidder (each, a “**Qualified Bid**”) if (i) it has been received

by the Proposal Trustee by the Final Bid Deadline; (ii) it is accompanied by a refundable deposit (the “**Deposit**”); (iii) it satisfies the other requirements of the SISP; and (iv) it includes either:

- i. a fully binding and definitive agreement, duly authorized and executed, setting out the terms and conditions of the proposed Transaction, including the aggregate amount of the proposed equity and/or debt investment, assumption of debt, if any, and details of the proposed financing (a “**Definitive Refinancing Agreement**”); or,
 - ii. a fully binding and definitive purchase and sale agreement, substantially in the form provided for in the VDR, duly authorized and executed, together with all exhibits and schedules thereto, and such ancillary agreements as may be required with all exhibits and schedules thereto (a “**Definitive Purchase Agreement**”); or
 - iii. some combination of a Definitive Refinancing Agreement and a Definitive Purchase Agreement, provided that such agreement is a fully binding definitive agreement that is duly authorized and executed,

(each a “**Definitive Agreement**”);
- h) if the Companies and the Proposal Trustee determine in their reasonable discretion that one or more Qualified Bids were received and it is likely that the transactions contemplated by one or more of such Qualified Bids will be consummated:
- i. the Proposal Trustee, with the consent of the Companies, may advise all Qualified Bidders that an auction (the “**Auction**”) will be held and that such Qualified Bidders are entitled to participate in the Auction. If an Auction is to be held, the Proposal Trustee will conduct the Auction commencing at 10:00 a.m. MST on January 24, 2024 at the offices Torys LLP in Calgary, AB. Further details

of the Auction and its potential outcomes are described in the SISP;
or

- ii. the Companies, in consultation with the Proposal Trustee, may select the superior Qualified Bid (the “**Successful Bid**” and the bidder thereof, the “**Successful Bidder**”) and file an application to the Court to approve such Successful Bid within ten (10) calendar days of acceptance thereof, and seek a hearing of such application as soon as practicable thereafter;
- i) to the extent the Senior Secured Lenders have not submitted a Final Bid which has been deemed a Qualified Bid, the Proposal Trustee may consult with the Lenders as to the selection of a Successful Bid;
- j) the Companies, in consultation with the Proposal Trustee, shall have selected the final Successful Bid(s) as soon as reasonably practicable after the Auction Date and the Definitive Agreement finalized and executed by no later than February 5, 2024, which Definitive Agreement shall be conditional only upon the express conditions set out therein and shall provide that the Successful Bidder shall use all reasonable efforts to close the Successful Bid by no later than February 9, 2024;
- k) all Qualified Bids may be submitted by the Proposal Trustee to the Alberta Energy Regulator (“**AER**”) and/or the Saskatchewan Ministry of Energy and Resources (“**MER**”), on appropriate confidentiality undertakings, for review and approval by the AER and/or the MER, as applicable; and
- l) the Companies shall apply to this Honourable Court (the “**Approval Application**”) for an order approving the Successful Bid and/or the mechanics to authorize the Companies to complete the transactions contemplated and the Companies shall use best efforts to schedule the Approval Application on or before February 9, 2024 subject to Court availability. The Approval Application may be adjourned or

rescheduled by the Companies on notice to the service list prior to the Approval Application.

26. Neither the Proposal Trustee, the Restructuring Advisor, the Companies, nor any of their respective affiliates, advisors, agents or representatives makes any representation or warranty as to title, description, fitness for purpose, merchantability, quantity, conditions or quality of any of the property or the accuracy or completeness of the information contained in any of the Teaser, Confidential Information Memorandum or in the VDR, except to the extent otherwise provided by the Companies under a Definitive Agreement with a Successful Bidder executed and delivered by the Companies. None of the Companies, the Restructuring Advisor nor the Proposal Trustee are required to inspect or count, or provide any inspection or counting, of the property or any part thereof and each Qualified Bidder shall be deemed, at its own expense, to have relied entirely on its own inspection and investigation with respect to the property. It shall be the Successful Bidder's sole responsibility to obtain, at its own expense, any consents to such transfer and any further documents or assurances which are necessary or desirable in the circumstances.

The Proposal Trustee's comments on the SISP

27. The Proposal Trustee is of the view that the implementation of the proposed SISP by the Restructuring Advisor, in consultation with the Companies and the Proposal Trustee, is appropriate under the circumstances. The Proposal Trustee is of the respectful view that the SISP ought to be approved by this Honourable Court for the following reasons:
- a) the SISP provides a fair and transparent process which will be conducted in such a manner as to give prospective bidders equal opportunity to express their interest in making a bid;
 - b) the SISP provides for an approximate nine-week marketing process to sufficiently expose the opportunity (and related nuances specific to the Refinancing Transaction) to the market. The proposed due diligence

timeline runs through the end of November (increased holidays and vacation in the United States) and end of December and beginning of January (increased holidays and vacation globally);

- c) the Restructuring Advisor has significant experience in marketing distressed companies in these types of circumstances, and has recommended the timelines therein; and
- d) no stakeholder, including secured creditors, appears likely to be materially prejudiced by the process.

- 28. The Senior Secured Lenders have expressed their concerns about the proposed SISP timeline (as discussed below). Nevertheless, the Senior Secured Lenders have also advised they reserve their rights to submit a credit bid in the SISP, should the SISP be granted by this Honourable Court.
- 29. The Proposal Trustee has not been advised as to whether Tamarack supports or opposes the SISP.
- 30. The Proposal Trustee is of the view that time is of the essence in ensuring that an efficient restructuring of the business occurs in order to allow GPOC to continue to restructure its business affairs and to continue its operations as a going concern.

SENIOR SECURED LENDER COMMUNICATION

Comments on the SISP

- 31. The Companies delivered a copy of the SISP (excluding specific dates for the completion of steps thereunder) to the Senior Secured Lenders' and Tamarack's respective legal counsel on October 2, 2023, seeking their respective views and comments. An updated draft of the substantially final version of the SISP with specific dates in the proposed schedule incorporated was circulated to both of the noted parties on October 5, 2023.
- 32. On October 6, 2023, counsel for the Senior Secured Lenders advised they had concerns about the timelines being proposed in the SISP and were considering

submitting a proposal to file a stalking horse offer. Other than the concerns regarding the timelines, the Senior Secured Lenders provided no further comments on the terms of the SISP. On October 6, 2023, counsel for the Company and to the Proposal Trustee, along with the Restructuring Advisors, hosted a call with the Senior Secured Lenders' counsel, to discuss their concerns and the Senior Secured Lenders' interest in possibly becoming a stalking horse bidder. The parties on this call discussed these matters and whether, given the timing and appropriateness, this was an approach that could be implemented versus the proposed SISP currently being contemplated by the Companies.

33. The Companies' counsel and Proposal Trustee advised that the Senior Secured Lenders would need to advise as soon as possible whether they wish to submit a proposal (term sheet) for the Companies to consider and if this was not received in short order, the Companies would proceed with seeking the current proposed SISP. Following this call, the proposed launch date of the SISP (including the posting of the SISP advertisement and distribute Teaser and NDA) was moved up to October 25, 2023, to address some of the concerns of the Senior Secured Lenders.
34. On October 10, 2023, counsel for the Senior Secured Lenders advised that they would not be submitting a proposal to file a stalking horse offer, while reserving their rights to submit a credit bid in the SISP.

Other communication

35. The Senior Secured Lenders have communicated with the Proposal Trustee and the Restructuring Advisor concerning, among other things, ongoing cash flow and operations reporting, as well as their desire for the Companies to hedge their commodity price exposure. The Proposal Trustee advised that the NOI Proceeding is a debtor-driven process and therefore any decision to hedge would be a company decision, but would pass on the Senior Secured Lenders' position regarding the same.

INITIAL CASH FLOW STATEMENTS TO ACTUAL CASH FLOW RESULTS

36. Management, with the assistance of the Proposal Trustee, prepared the initial cash flow statements for the Companies for the period of August 26, 2023 to December 1, 2023 (“**Initial Forecast Period**”).
37. Actual receipts and disbursements for GPOC for the five-week period ending September 30, 2023 (the “**Reporting Period**”), as compared to the Initial Forecast Period, are summarized in the following table:

Five-Week Cash Flow ending September 29, 2023 \$CAD 000's		Forecast	Actuals	Variance
Cash Receipts				
Sales (production settlement)		2,170	2,392	222
Other receipts		-	18	18
Total cash receipts		2,170	2,410	240
Cash Disbursements				
Field contract operator payments		(149)	(159)	(10)
Office contract consultant payments		(145)	(144)	1
Operating and transportation		(1,253)	(321)	932
Drilling, facilities and other acquisitions		-	-	-
Abandonment and reclamation		(25)	-	25
Surface and mineral leases		(109)	(97)	12
Royalties		(1)	-	1
Property and carbon taxes		(8)	-	8
General and administrative		(39)	(49)	(10)
GST remittance		(23)	-	23
Professional fees		(420)	(500)	(80)
Total cash disbursements		(2,172)	(1,270)	902
Net Cash Flow		(2)	1,140	1,142
Net Change in Cash				
Beginning of period		1,935	1,971	36
Net Cash Flow		(2)	1,140	1,142
Ending of period		1,933	3,111	1,178

38. During the Reporting Period, the primary variances include:
- a) temporary timing variances relating to the payment of operating and transportation expenses (forecast reflected higher percentage of vendors requiring prepaid deposits);

- b) permanent variances relating to production receipts due to increased commodity prices; and
 - c) temporary timing variances relating to retainers paid to professionals in accordance with the A&M Corporate Finance engagement.
- 39. Spicelo and the Holding Companies do not have any operations and have had no receipts or disbursements over the Reporting Period.
- 40. The Companies continue to review their cash forecast on an ongoing basis and there are no material changes to the overall initial cash flow statements as reported in the First Report.
- 41. As discussed, on September 22, 2023, the Court granted an order extending the Initial NOI Period to November 8, 2023. As part of an application to further extend the stay, a subsequent cash flow statement will be provided and reported on.

PROPOSAL TRUSTEE'S RECOMMENDATION

- 42. The Proposal Trustee respectfully recommends that this Honourable Court approve the SISP, and authorize and direct the Restructuring Advisor to implement the SISP.

All of which is respectfully submitted this 11th day of October, 2023

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



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



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

Appendix “A”

Sales and Investment Solicitation Process

SALE AND INVESTMENT SOLICITATION PROCESS

Introduction

Griffon Partners Operation Corp. (“**GPOC**”), Griffon Partners Holding Corp. (“**GPHC**”), Griffon Partners Capital Management Ltd. (“**GPCM**”, and together with GPOC and GPHC, the “**Griffon Entities**”), Spicelo Limited (“**Spicelo**”), Stellion Limited, 2437799 Alberta Ltd., 2437801 Alberta Ltd. and 2437815 Alberta Ltd. (collectively with the Griffon Entities, the “**Debtors**”) filed Notices of Intention to Make a Proposal (the “**NOI Proceedings**”) with the Office of the Superintendent of Bankruptcy Canada pursuant to section 50.4(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the “**BIA**”) on August 25, 2023. Alvarez and Marsal Canada Inc. was appointed as the trustee under the proposal (the “**Proposal Trustee**”) of the Debtors.

On September 22, 2023, the Alberta Court of King’s Bench (the “**Court**”) granted an Order, among other things, approving of the Debtors’ engagement of Alvarez & Marsal Canada Securities ULC (the “**Transaction Agent**”).

On October 18, 2023, the Court granted an Order (the “**SISP Order**”) approving the sale and investment solicitation procedures set forth herein (the “**SISP Procedures**”). The SISP Order and these SISP Procedures shall exclusively govern the sale and investment solicitation process (the “**SISP**”) for soliciting and selecting bids for the sale of shares or assets of the Griffon Entities (or any one of them), or of a refinancing, reorganization, recapitalization, restructuring or other business transaction involving the Debtors, or any one of them.

SISP Procedures

These SISP Procedures describe, among other things: (a) the manner and timelines by which any interested party may gain access to due diligence materials concerning the Debtors and their business; (b) the manner and timelines by which potential bidders may submit an offer for an investment in the Debtors or an offer to purchase some or all of the Griffon Entities’ assets, property, undertakings and/or shares; (c) the manner in which potential bidders and bids become Qualified Bidders and Qualified Bids (as defined below), respectively; (d) the receipt and negotiation of bids received; and (e) the ultimate selection of one or more bids, and the approval thereof by the Court.

The Debtors and the Proposal Trustee, with the assistance of the Transaction Agent, shall implement these SISP Procedures in accordance with the terms hereof and the SISP Order. Interested parties who wish to have their bids considered shall participate in the SISP in accordance with these SISP Procedures.

In the event that there is a disagreement or a clarification is required as to the interpretation or application of these SISP Procedures or the responsibilities of any person hereunder, the Court will have the jurisdiction to resolve such dispute or provide such clarification, and provide any advice

or directions as are necessary, upon application of the Debtors, the Proposal Trustee or any other interested person.

In the event of the conversion of the NOI Proceedings to other insolvency or restructuring proceedings, the SISP will continue under those proceeding, subject to any changes proposed to and confirmed by the Court.

Opportunity

The SISP Procedures are intended to solicit interest in, and opportunities for: (a) the purchase of some or all of the assets of the Griffon Entities (each, an “**Asset Transaction**”); (b) an investment in the Griffon Entities, including through the purchase or acquisition of the shares of some or all of the Griffon Entities (each, a “**Share Transaction**”); (c) a refinancing of the Debtors through the provision of take out or additional financing in the Debtors (each, a “**Refinancing Transaction**”), or some combination thereof (each, a “**Transaction**”). All interested parties are encouraged to submit Qualified Bids based on any configuration they wish, provided, however, that in no cases shall an Asset Transaction or a Share Transaction include the shares or assets of Spicelo. In all cases, the shares and/or assets of Spicelo shall be limited in this SISP to a Refinancing Transaction.

SISP Timeline

The SISP shall be conducted subject to the terms hereof and the following key milestones:

Milestone	Date	Date
Transaction Agent shall advertise SISP and distribute Teaser and NDA	Within 7 calendar days of SISP Order	October 25, 2023
Due diligence period (NDAs signed, access to VDR granted and site visits organized)	12 calendar days after SISP Order to 80 calendar days thereafter	January 8, 2024
Final Bid Deadline	End of due diligence period	January 8, 2024
Bid assessment	Within 5 business days of Final Bid Deadline	January 15, 2024
Notification of Auction Date (if applicable)	Within 5 business days of completion of bid assessment	January 22, 2024
Auction Date (if applicable)	2 business days after notification of Auction Date	January 24, 2024
Period of time to finalize definitive documents for Successful Bid (if applicable)	Within 10 calendar days of acceptance of the Successful Bid	~January 26, 2024 (if no Auction) ~February 5, 2024 (if Auction)

Milestone	Date	Date
Court approval of Successful Bid (if applicable)	Within 14 calendar days of acceptance of the Successful Bid (subject to Court availability)	~January 30, 2024 (if no Auction) ~February 9, 2024 (if Auction)

Notwithstanding any of the foregoing dates, any Qualified Bidder who proposes a Transaction involving a Definitive Refinancing Agreement or a Definitive Hybrid Agreement is welcome to submit a non-binding term sheet to the Proposal Trustee in advance of the Final Bid Deadline for consideration by, and discussion with, the Proposal Trustee, the Debtors and the Transaction Agent.

The Debtor and the Proposal Trustee, with the assistance of the Transaction Agent, will use reasonable efforts to complete the SISP Procedures in accordance with the foregoing. The Proposal Trustee may make such adjustments to the timeline that it determines are reasonably necessary in order to accommodate unforeseen circumstances and/or best facilitate the SISP to maximize the value of the Debtors for the benefit of stakeholders, in all cases upon notice to all interested parties actively participating in the SISP at the applicable time.

“As Is, Where Is”

Any Asset Transaction or Share Transaction completed hereunder will be on an “as is, where is” basis and without surviving representations, warranties, covenants or indemnities of any kind, nature, or description by the Debtors, or any one of them, or their respective agents, except to the extent set forth in the Definitive Agreement (as defined below) with the Successful Bidder (as defined below).

Neither the Proposal Trustee, the Transaction Agent, the Debtors, nor any of their respective affiliates, advisors, agents or representatives makes any representation or warranty as to title, description, fitness for purpose, merchantability, quantity, conditions or quality of any of the property or the accuracy or completeness of the information contained in any of the Teaser, Confidential Information Memorandum or in the VDR, except to the extent otherwise provided by the Debtors under a Definitive Agreement (as defined below) with a Successful Bidder executed and delivered by the Debtors. The Debtors are not required to inspect or count, or provide any inspection or counting, of the property or any part thereof and each Qualified Bidder shall be deemed, at its own expense, to have relied entirely on its own inspection and investigation with respect to the property. It shall be the Successful Bidder’s sole responsibility to obtain, at its own expense, any consents to such transfer and any further documents or assurances which are necessary or desirable in the circumstances.

Free of Any and All Claims and Interests

All of the right, title and interest of the Griffon Entities in and to any assets sold or transferred within the SISP will, at the time of such sale or transfer, be sold or transferred free and clear of any security, charge or other restriction (collectively, the “**Claims and Interests**”) pursuant to any approval and vesting order(s) or reverse vesting order(s) made by the Court and section 65.13 of the BIA. Contemporaneous with such approval and vesting order(s) or reverse vesting order(s) being made, all such Claims and Interests shall attach to the net proceeds of the sale of such assets (without prejudice to any claims or causes of action regarding the priority, validity or enforceability thereof), except to the extent otherwise set forth in the Definitive Agreement with the Successful Bidder (each as defined below) and as approved by the Court.

Solicitation of Interest

As soon as reasonably practicable after the granting of the SISP Order, the Transaction Agent, in consultation with the Debtors and the Proposal Trustee, will prepare:

- a) a list of prospective bidders. Such list will include both strategic and financial parties who, in the reasonable business judgment of the Transaction Agent and the Debtors, and in consultation with the Proposal Trustee, may be interested in and have the financial capacity to make a Qualified Bid (“**Prospective Bidders**”); and
- b) an initial offering summary (the “**Teaser**”) describing and outlining the SISP and inviting Prospective Bidders to make a Qualified Bid.

Within 7 calendar days of the issuance of the SISP Order, the Transaction Agent shall, in consultation with the Debtors and the Proposal Trustee:

- a) cause a notice regarding the SISP and such other relevant information which the Transaction Agent, in consultation with the Debtors and the Proposal Trustee, considers appropriate to be published in the BOE Report / Daily Oil Bulletin, and Globe & Mail; and
- b) distribute to Prospective Bidders the Teaser and a draft confidentiality and nondisclosure agreement (the “**NDA**”) in a form satisfactory to the Debtors, in consultation with the Proposal Trustee.

Participation Requirements and Due Diligence

Unless otherwise ordered by the Court, any Prospective Bidder or other interested party who wishes to participate in the SISP must deliver the following to the Transaction Agent prior to the distribution of any confidential information by the Debtors and/or the Transaction Agent to such Prospective Bidder or interested party (including access to the confidential virtual data room (the “**VDR**”)):

- a) an executed NDA; and

- b) an executed letter acknowledging receipt of a copy of the SISP Order (including these SISP Procedures) and agreeing to accept and be bound by the provisions contained therein and herein.

A Prospective Bidder or other interested party that has complied with each of the foregoing requirements, and who the Transaction Agent, in consultation with the Debtors and the Proposal Trustee, determines has a reasonable prospect of completing an Asset Transaction, a Sale Transaction or a Refinancing Transaction contemplated herein, will be deemed a “**Qualified Bidder**” and will be promptly notified of such classification by the Transaction Agent.

The Transaction Agent shall provide any person deemed to be a Qualified Bidder with access to the VDR. Each Qualified Bidder shall have such access in the VDR to materials and financial and other information relating to the shares, the assets, the property and the business of the Debtors as the Debtors, in their reasonable business judgment and in consultation with the Proposal Trustee and the Transaction Agent, deem appropriate for Qualified Bidders to conduct their due diligence.

At the discretion of the Debtors, in consultation with the Proposal Trustee and the Transaction Agent, due diligence access may also include presentations by the Debtors, or any one of them, access to on-site inspections and such other items as a Qualified Bidder may reasonably request. None of the Debtors, the Proposal Trustee, nor the Transaction Agent, or any of their respective professionals and advisors are responsible for, or have any liability with respect to, any information obtained by any Qualified Bidder. None of the Debtors, Proposal Trustee or the Transaction Agent or their respective professionals and advisors make any representations or warranties whatsoever as to the information or the materials provided, including as to the accuracy of same.

Submission of Qualified Bids

A Qualified Bidder that desires to propose a Transaction must deliver a final, written, binding offer (each, a “**Final Bid**”) to the Proposal Trustee at the address specified herein (including by email transmission) so as to be actually received by the Proposal Trustee not later than 4:00 p.m. (Calgary time) on January 8, 2024, or such later date as may be agreed by Debtors and the Proposal Trustee, and communicated in writing to all Qualified Bidders (the “**Final Bid Deadline**”).

Requirements for Qualified Bid

A Final Bid will only be considered a Qualified Bid if it is submitted by a Qualified Bidder and complies with the following conditions (each, a “**Qualified Bid**”):

- a) it has been received by the Proposal Trustee by the Final Bid Deadline;
- b) it includes either:
 - a. a fully binding and definitive agreement, duly authorized and executed, setting out the terms and conditions of the proposed Transaction, including the aggregate

amount of the proposed equity and/or debt investment, assumption of debt, if any, and details of the proposed financing (a “**Definitive Refinancing Agreement**”); or,

- b. a fully binding and definitive purchase and sale agreement, substantially in the form provided for in the VDR, duly authorized and executed, together with all exhibits and schedules thereto, and such ancillary agreements as may be required with all exhibits and schedules thereto (a “**Definitive Purchase Agreement**”); or
- c. some combination of a Definitive Refinancing Agreement and a Definitive Purchase Agreement, provided that such agreement is a fully binding definitive agreement that is duly authorized and executed (a “**Definitive Hybrid Agreement**”),

(each a “**Definitive Agreement**”);

c) it includes:

- a. a statement that the Final Bid is submitted in good faith, is binding and is irrevocable until there is a Successful Bid; provided, however, that if such bid is selected as the Successful Bid, it shall remain irrevocable until the closing of the Successful Bid;
 - b. a statement that the Qualified Bidder will bear its own costs and expenses (including legal and advisor fees) in connection with the proposed transaction, and by submitting its bid is agreeing to refrain from and waive any assertion or request for reimbursement on any basis; and
 - c. full disclosure regarding the identity of each person that is bidding or that will otherwise be sponsoring or participating in the Qualified Bid, including the identification of the Qualified Bidder’s direct and indirect owners and their principals and the full and complete terms of any such participation;
- d) it provides evidence, in form and substance reasonably satisfactory to the Debtors and the Proposal Trustee, of compliance or anticipated compliance with any and all applicable regulatory approvals, the anticipated time frame for such compliance and any anticipated impediments for obtaining such approvals;
- e) it provides evidence, satisfactory to the Debtors and the Proposal Trustee, of a firm, irrevocable financial commitment for all required funding or financing or evidence of the Qualified Bidder’s financial wherewithal to close the bid using unencumbered funds on hand;
- f) it does not include any request for or entitlement to any break fee, expense reimbursement or similar type of payment and is not conditional upon:

- a. approval from the Qualified Bidder's board of directors (or comparable governing body) or equityholder(s);
 - b. the outcome of unperformed due diligence by the Qualified Bidder; and/or
 - c. the bidder obtaining financing;
- g) it includes an acknowledgement and representation that the Qualified Bidder: (i) has relied solely upon its own independent review, investigation and/or inspection of any documents and/or the assets to be acquired and liabilities to be assumed in making its Qualified Bid; (ii) did not rely upon any written or oral statements, representations, promises, warranties or guaranties whatsoever, whether express or implied (by operation of law or otherwise), regarding the assets to be acquired or liabilities to be assumed or the completeness of any information provided in connection therewith, including by the Proposal Trustee or the Transaction Agent, or any of their advisors, except as expressly stated in the Definitive Agreement; (iii) is a sophisticated party capable of making its own assessments in respect of making its Qualified Bid; and (iv) has had the benefit of independent legal advice in connection with its Qualified Bid;
- h) it is accompanied by a refundable deposit (the “**Deposit**”) in the form of a wire transfer (to a trust account specified by the Proposal Trustee), payable to the Proposal Trustee, in trust, in an amount equal to ten percent (10%) of the cash consideration or other consideration to be paid pursuant to the Qualified Bid, to be held and dealt with in accordance with these SISP Procedures; and
- i) provides such further or other information as may be reasonably requested by the Debtors and/or the Proposal Trustee.

The Proposal Trustee may, in its reasonable discretion, and in consultation with the Debtors, waive compliance with any one or more of the Qualified Bid requirements specified herein, and deem such non-compliant bid to be a Qualified Bid in accordance with these SISP Procedures.

If the Proposal Trustee is not satisfied with the number or terms of the Qualified Bids, the Proposal Trustee, in consultation with the Debtors, may extend the Final Bid Deadline without Court approval and, unless otherwise provided for by the Proposal Trustee, all subsequent deadlines provided in these SISP Procedures shall be extended by the same time period.

Assessment of Qualified Bids

The Proposal Trustee and the Debtors will assess the Qualified Bids received, if any, and will determine whether it is likely that the transactions contemplated by such Qualified Bids are likely to be consummated. Such assessments will be made as promptly as practicable but no later than five (5) business days after the Final Bid Deadline.

If the Debtors and the Proposal Trustee determine in their reasonable discretion that one or more Qualified Bids were received and it is likely that the transactions contemplated by one or more of such Qualified Bids will be consummated:

- a) the Proposal Trustee, with the consent of the Debtors, may advise all Qualified Bidders that an auction (the “**Auction**”) will be held and that such Qualified Bidders are entitled to participate in the Auction; or
- b) the Debtors, in consultation with the Proposal Trustee, may select the superior Qualified Bid (the “**Successful Bid**” and the bidder thereof, the “**Successful Bidder**”) and file an application to the Court to approve such Successful Bid within ten (10) calendar days of acceptance thereof, and seek a hearing of such application as soon as practicable thereafter.

To the extent that Trafigura Canada Limited and/or Signal Alpha C4 Limited (together, the “**Lenders**” and each, a “**Lender**”) either: (a) provide written confirmation to the Proposal Trustee that the Lenders or a specific Lender will not participate in the SISP as a Qualified Bidder or submit either a Final Bid or a Qualified Bid within the SISP, or (b) fail to submit a Final Bid which has been deemed a Qualified Bid, from and after such date, the Proposal Trustee may consult with such Lenders or Lender, as applicable, as to developments in the SISP and/or selection of a Successful Bid.

Auction

If an Auction is to be held, the Proposal Trustee will conduct the Auction commencing at 10:00 a.m. (Calgary time) on January 24, 2024 (the “**Auction Date**”) at the offices of the Proposal Trustee’s legal counsel, Torys LLP, Calgary, AB, or such other location as shall be timely communicated to all entities entitled to attend at the Auction, subject to such adjournments as the Proposal Trustee may consider appropriate.

The Auction shall run in accordance with the following procedures:

- c) prior to 4:00 p.m. (Calgary time) on January 22, 2024, each Qualified Bidder that has made a Qualified Bid must inform the Proposal Trustee whether it intends to participate in the Auction (the parties who so inform the Proposal Trustee that they intend to participate are hereinafter referred to as the “**Auction Bidders**”);
- d) the identity of each Auction Bidder participating in the Auction will be disclosed, on a confidential basis, to each other Auction Bidder participating in the Auction;
- e) only representatives of the Auction Bidders, the Proposal Trustee, the Transaction Agent, the Debtors and such other persons as permitted by the Proposal Trustee, and the advisors to each of the foregoing entities, are entitled to attend the Auction in person (and the Proposal Trustee shall have the discretion to allow such persons to attend by video- or tele-conference);

- f) the Proposal Trustee may employ and announce at the Auction additional procedural rules that are reasonable under the circumstances for conducting the Auction provided that such rules are (i) not inconsistent with these SISP Procedures or general practice in insolvency proceedings, and (ii) disclosed to each Auction Bidder at the Auction;
- g) all Auction Bidders must have at least one individual representative with authority to bind such Auction Bidder present in person at the Auction;
- h) the Proposal Trustee shall arrange to have a court reporter attend at the Auction;
- i) each Auction Bidder participating in the Auction must confirm on the record, at the commencement of the Auction and again at the conclusion of the Auction, that it has not engaged in any collusion with any other person regarding the SISP without the express written consent of the Proposal Trustee and on disclosure to all other Auction Bidders;
- j) prior to the Auction, the Proposal Trustee will provide unredacted copies of the Qualified Bid(s) which the Proposal Trustee believes are the highest or otherwise best Qualified Bid(s) (the “**Starting Bid**”) to all Qualified Bidders that have made a Qualified Bid;
- k) prior to the Auction, the Proposal Trustee and the Transaction Agent shall develop a financial comparison model (the “**Comparison Model**”) which will be used to compare the Starting Bid and all Subsequent Bids (as defined herein) submitted during the Auction, if applicable;
- l) prior to the Auction, the Proposal Trustee and the Transaction Agent shall make themselves available to meet with each of the Auction Bidders to review the procedures for the Auction, the mechanics of the Comparison Model, and the manner by which Subsequent Bids (as defined below) shall be evaluated during the Auction;
- m) bidding at the Auction will begin with the Starting Bid and continue, in one or more rounds of bidding, so long as during each round at least one subsequent bid is submitted by an Auction Bidder (a “**Subsequent Bid**”) that the Proposal Trustee, utilizing the Comparison Model, determines is (i) for the first round, a higher or otherwise better offer than the Starting Bid, and (ii) for subsequent rounds, a higher or otherwise better offer than the then current highest and best bid (the “**Leading Bid**”), in each case by at least CAD\$250,000, or such amount as may be determined by the Proposal Trustee prior to, and announced at, the Auction;
- n) to the extent not previously provided (which shall be determined by the Proposal Trustee), an Auction Bidder submitting a Subsequent Bid must submit, at the Proposal Trustee’s discretion, as part of its Subsequent Bid, written evidence (in the form of financial disclosure or credit- quality support information or enhancement reasonably acceptable to the Proposal Trustee), demonstrating such Auction Bidder’s ability to close the transaction proposed by the Subsequent Bid;

- o) only the Auction Bidders will be entitled to make a Subsequent Bid at the Auction; provided, however, that in the event that any Qualified Bidder elects not to attend and/or participate in the Auction, such Qualified Bidder's Qualified Bid shall nevertheless remain fully enforceable against such Qualified Bidder if it is selected as the Successful Bid;
- p) all Auction Bidders shall have the right to, at any time, request that the Proposal Trustee announce the then-current Leading Bid and, to the extent requested by any Auction Bidder, use reasonable efforts to clarify any and all questions such Auction Bidder may have regarding the Leading Bid;
- q) the Proposal Trustee reserves the right, in its reasonable business judgment, to make one or more adjournments in the Auction to, among other things (i) facilitate discussions between the Proposal Trustee and the Auction Bidders; (ii) allow the individual Auction Bidders to consider how they wish to proceed; (iii) consider and determine the current highest and best offer at any given time in the Auction; and (iv) give Auction Bidders the opportunity to provide the Proposal Trustee with such additional evidence as the Proposal Trustee, in its reasonable business judgment, may require that that Auction Bidder has sufficient internal resources to consummate the proposed transaction at the prevailing overbid amount;
- r) if, in any round of bidding, no new Subsequent Bid is made, the Auction shall be closed; and
- s) no bids (from Qualified Bidders or otherwise) shall be considered after the conclusion of the Auction.

At the end of the Auction, the Proposal Trustee shall announce the Successful Bid and the Successful Bidder. Upon selection of a Successful Bidder, the Successful Bidder shall deliver as soon as practicable and, in any event, by no later than five (5) calendar days, an executed Definitive Agreement, which reflects its Successful Bid and any other modifications submitted and agreed to during the Auction, prior to the filing of the application material for the hearing to consider the Approval Application (as defined below).

If an Auction is conducted, the Auction Bidder and/or Qualified Bidder, as applicable, with the next highest or otherwise best Qualified Bid at the Auction or, if such Qualified Bidder did not participate in the Auction, submitted in this SISF, as determined by the Debtors and the Proposal Trustee, will be designated as the backup bidder (the **"Backup Bidder"**). The Backup Bidder shall be required to keep its Qualified Bid (or if the Backup Bidder submitted one or more overbids at the Auction, the Backup Bidder's final overbid) (the **"Backup Bid"**) open until the earlier of (a) two (2) business days after the date of closing of the Successful Bid; and (b) February 16, 2024 (the **"Outside Date"**).

The Debtors, in consultation with the Proposal Trustee, shall have selected the final Successful Bid(s) and the Backup Bid(s) as soon as reasonably practicable after the Auction Date and the

Definitive Agreement finalized and executed by no later than February 5, 2024, which Definitive Agreement shall be conditional only upon the receipt of the Approval Order (as defined below) and the express conditions set out therein and shall provide that the Successful Bidder shall use all reasonable efforts to close the Successful Bid by no later than February 9, 2024, or such longer period as may be agreed to in writing by the Proposal Trustee. In any event, the Successful Bid must be closed by no later than the Outside Date, or such other date as may be agreed to in writing by the Proposal Trustee.

Approval of Successful Bid

All Qualified Bids and Subsequent Bids, including the Successful Bid and/or the Backup Bid, may be submitted by the Proposal Trustee to the Alberta Energy Regulator (“**AER**”) and/or the Saskatchewan Ministry of Energy and Resources (“**MER**”), on appropriate confidentiality undertakings, for review and approval by the AER and/or the MER.

The Debtors shall apply to the Court (the “**Approval Application**”) for an order approving the Successful Bid and the Backup Bid (as applicable) and/or the mechanics to authorize the Debtors to complete the transactions contemplated thereby, as applicable, and authorizing the Debtors to (i) enter into any and all necessary agreements and related documentation with respect to the Successful Bid, (ii) undertake such other actions as may be necessary to give effect to such Successful Bid, and (iii) implement the transaction(s) contemplated in such Successful Bid (the “**Approval Order**”).

The Approval Application will be held on a date to be scheduled by the Debtors and confirmed by the Court. The Debtors shall use best efforts to schedule the Approval Application on or before February 9, 2024 subject to Court availability. The Approval Application may be adjourned or rescheduled by the Debtors on notice to the service list prior to the Approval Application. The Debtors shall consult with the Successful Bidder and the Backup Bidder regarding the application material to be filed by the Debtors for the Approval Application, which material shall be acceptable to the Successful Bidder, acting reasonably.

If, following approval of the Successful Bid by the Court, the Successful Bidder fails to consummate the transaction for any reason, then such Successful Bidder will forfeit its Deposit and the Backup Bid, if there is one, will be deemed to be the Successful Bid hereunder and the Debtors shall effectuate a transaction with the Backup Bidder subject to the terms of the Backup Bid, without further order of the Court.

All Qualified Bids (other than the Successful Bid) shall be deemed rejected on and as of the date of the closing of the Successful Bid.

Deposits

All Deposits shall be retained by the Proposal Trustee in a bank account specified by the Proposal Trustee. If there is a Successful Bid, the Deposit paid by the Successful Bidder whose bid is

approved at the Approval Application shall be applied to the purchase price to be paid by the Successful Bidder upon closing of the approved transaction and will be non-refundable. The Deposit paid by the Backup Bidder shall be retained by the Proposal Trustee until two (2) business days after the date of closing of the Successful Bid or the Outside Date, whichever is later, or, if the Backup Bid becomes the Successful Bid, shall be released by the Proposal Trustee and applied to the purchase price to be paid upon closing of the Backup Bid.

All Deposits of all Qualified Bidders not selected as the Successful Bidder or Backup Bidder shall be returned to such bidders within five (5) business days of the date upon which the Successful Bid and any Backup Bid is approved by the Court. If the Auction does not take place or these SISP Procedures are terminated in accordance with the provisions hereof, all Deposits shall be returned within five (5) business days of the date upon which it is determined that the Auction will not take place or these SISP Procedures are terminated, as applicable.

If an entity selected as the Successful Bidder or Backup Bidder breaches its obligations to close the applicable transaction, it shall forfeit its Deposit to the Debtors; provided, however, that the forfeit of such Deposit shall be in addition to, and not in lieu of, any other rights in law or equity that the Debtors have against such breaching entity.

Approvals and Reservation of Rights

For greater certainty, the approvals required pursuant to the terms hereof are in addition to, and not in substitution for, any other approvals required by any other statute or are otherwise required at law in order to implement a Successful Bid or Backup Bid, as the case may be.

The Debtors may, at any time, and in consultation with the Proposal Trustee, reject or choose not to accept any Transaction, bid, Qualified Bid or Successful Bid. In the event the Proposal Trustee disagrees with the Debtors' rejection or choice not to accept a Transaction, bid, Qualified Bid or Successful Bid, the Proposal Trustee may file an application to the Court and upon two days' notice seek such relief as the Proposal Trustee may deem necessary.

These SISP Procedures do not, and shall not be interpreted to, create any contractual or other legal relationship between the Debtors, Proposal Trustee, the Transaction Agent and any potential bidder, Qualified Bidder, Auction Bidder, Successful Bidder or Backup Bidder, other than as specifically set forth in any Definitive Agreement.

Notice

The addresses used for delivering documents to the Debtors and the Proposal Trustee as required by the terms and conditions of these SISP Procedures are set out below.

To the Debtors:

Osler, Hoskin & Harcourt LLP
Suite 2700, Brookfield Place
225 – 6th Avenue S.W.
Calgary AB T2P 1N2

Attention: Randal Van de Mosselaer / Emily Paplawski
Phone: (403) 260-7060 / (403) 260-7071
Email: Rvandemosselaer@osler.com / Epaplawski@osler.com

To the Transaction Agent:

Alvarez & Marsal Canada Securities ULC
Bow Valley Square IV
Suite 1110, 250 – 6th Avenue SW
Calgary, AB T2P 3H7

Attention: Scott Asplund / Chad Ellison
Phone: (403) 538-7530 / (403) 538-7540
Email: sasplund@alvarezandmarsal.com / cellison@alvarezandmarsal.com

To the Proposal Trustee:

Alvarez & Marsal Canada Inc.
Bow Valley Square IV
Suite 1110, 250 – 6th Avenue SW
Calgary, AB T2P 3H7

Attention: Orest Konowalchuk / Duncan MacRae
Phone: (403) 538-4736 / (403) 538-7514
Email: okonowalchuk@alvarezandmarsal.com / dmacrae@alvarezandmarsal.com

with a copy to:

Torys LLP
525 – 8th Avenue SW, 46th Floor, Eighth Avenue Place East
Calgary, AB T2P 1G1

Attention: Kyle Kashuba
Phone: (403) 403-776-3744
Email: kkashuba@torys.com

No Amendment

There shall be no amendments to these SISP Procedures without the prior written consent of the Proposal Trustee, or further order of the Court obtained on reasonable notice to the Debtors and the Proposal Trustee.

Further Orders

At any time during the SISP, the Debtors and/or Proposal Trustee may apply to the Court for advice and directions with respect to the discharge of its powers and duties hereunder.