

Form 49

[Rule 13.19]

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COURT OF QUEEN'S BENCH OF ALBERTA

JUDICIAL CENTRE

CALGARY

APPLICANT

IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL UNDER SECTION 50.4(1) OF THE BANKRUPTCY AND INSOLVENCY ACT, R.S.C. 1985, c. B-3, AS AMENDED, OF PETROLAMA ENERGY CANADA INC.



C80371

DOCUMENT

AFFIDAVIT

ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT

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AFFIDAVIT OF:

PAUL FARLEY JOSLYN

SWORN ON:

August 2, 2022

I, Paul Farley Joslyn, of Calgary, Alberta, Make Oath and SWEAR THAT:

1. I am the Chief Financial Officer of Petrolama Energy Canada Inc. (the "**Company**" or "**Petrolama**"). In this capacity, I am responsible for overseeing the financial operations of the Company, its liquidity management and for assisting it in the Restructuring Process (as defined herein). The facts stated in this Affidavit are based on my personal knowledge of the Company and its business and affairs, my review of its books and records, as well as information received from the former CEO and President of the Company, Mr. Scott

Holmes (“**Mr. Holmes**”), as necessary. In each case where I have relied upon information from others, I have stated the source of such information.

2. All references to currency in this Affidavit are references to Canadian dollars, unless otherwise, indicated.
3. On July 27, 2022, the Company filed a notice of intention to make a proposal (the “**NOI**”) under section 50.4(1) of the *Bankruptcy and Insolvency Act* (Canada) (the “**BIA**”). As further testified to herein, the NOI is part of a planned restructuring process that the Company determined, in consultation with its professional advisors, had to be undertaken in the best interests of the Company and its stakeholders, and after identifying no viable alternative processes due to the Company’s insolvency (the “**Restructuring Process**”).
4. Alvarez & Marsal Canada Inc. is the proposal trustee under the NOI (in such capacity, the “**Proposal Trustee**”).
5. This Affidavit is sworn in support of an application returnable on August 10, 2022 (the “**Application**”) before the Court of Queens’s Bench of Alberta (the “**Court**”) for the following relief:
 - (a) Extending the time period within which the Company may file a proposal to its creditors under Division I of Part III of the BIA for a 45-day period from the date following the current deadline (which is August 26, 2022), up to and including 11:59 pm (local Calgary time) on Monday October 10, 2022, or such other date as this Honourable Court may order;
 - (b) Approving the binding Interim Financing Terms (as defined below) and authorizing the Company to obtain a debtor-in-possession non-revolving loan facility thereunder (the “**Interim Facility**”), permitting the Company to obtain advances in the maximum aggregate amount of \$300,000, to fund the Restructuring Process during the period of time between July 27, 2022 and the deadline or any extensions thereof by which the Company may file a proposal (the “**Restructuring Period**”) in the within proceedings;
 - (c) Granting an “**Interim Lender Charge**” on all present and after-acquired property of the Company (the “**Collateral**”) to secure obligations incurred under the Interim Facility, provided the Interim Lender Charge does not secure any obligations arising prior to the filing of the NOI;
 - (d) Granting an “**Administration Charge**” on the Collateral in a maximum amount of \$150,000 as security for the payment of the professional fees and disbursements incurred and to be incurred by counsel to the Company, the Proposal Trustee and the Proposal Trustee’s counsel;

- (e) Granting a **“Directors’ and Officers’ Charge”** on the Collateral in a maximum amount of \$65,000 in favour of the directors and officers of the Company, as security for the Company’s obligation to indemnify such directors and officers for obligations and liabilities which they may potentially incur in such capacities after the commencement of these proceedings, except to the extent that such obligation or liability was incurred as a result of the director’s or officer’s gross negligence or wilful misconduct;
- (f) granting an order, among other things, approving the Company’s proposed sales and investment solicitation process (the **“SISP”**), including its deeming of the a stalking horse proposal from 884304 Alberta Ltd. (the **“Stalking Horse Proposal”**) as a Qualified Bid (as defined in the SISP) under the SISP and authorizing and directing the Company to implement and perform the SISP; and
- (g) such further and other relief as the Company may request and the Court may allow;

(collectively, the **“Relief Sought”**).

Background

- 6. The Company was incorporated pursuant to the laws of Alberta in January of 2011 and operates a crude oil and natural gas liquids marketing and trading business. With the help of a \$70,000,000 USD credit facility, the Company grew to a staff of over 10 personnel and, in 2013, constructed and operated a crude oil blending terminal in Alida, Saskatchewan (the **“Saskatchewan Facility”**). The Company peaked with annual revenues of over \$900,000,000 in 2014.
- 7. In July of 2016, the Company sold the majority of its commercial assets to Secure Energy Services Inc. where most of its employees also went. The Company then focused on moving Canadian crude oil and propane and selling it into the United States.
- 8. Since then, a number of factors have led to the Company’s insolvency. They include the loss of bank financing, the delay in completion of facilities, a regulatory rejection of a project, the high cost of crude oil storage under long term contracts, and the 2020 market crash of the price of crude oil and its subsequent volatility.

A. Bank Financing

- 9. The success of companies like Petrolama significantly depends on the ability to secure a transaction-backed or an asset-backed credit facility. These credit facilities are established based on the cash, receivables, and inventory of the borrower used as collateral to pledge to the lender for security. The facility provides loans and letters of credit that are customarily used to finance crude oil purchases, pipeline transportation, and storage leases. Canadian banks were not willing to support these type of credit

facilities as they preferred more traditional forms of lending. As such, to finance its business, the Company has always primarily relied on European banks that were based in New York.

10. In January of 2018, as a result of a large loan loss in the coffee commodity industry, the Company's then credit facility provider, ABN AMRO, decided to focus only on companies with capitalization of greater than \$50,000,000 USD. Since Petrolama's capitalization was roughly half of that amount, it was forced to look for a different lender.
11. In March of 2018, the Company signed a credit agreement with ING Capital USA ("**ING**"). As a result of pressure from European environmental activism and environmental and social governance ("**ESG**") goals, that financier slowly became more restrictive in terms of what types of crude oil it would finance and that started to make it much more difficult for the Company to use its storage tanks as it had planned. When ING removed Cold Lake Crude Oil barrels from its list of acceptable crude grades that they would finance, the Company's business was seriously constrained.
12. In November 2020 Petrolama's financing arrangements with ING came to an end and the Company currently has no bank debt and no secured creditors.

B. Operations - Facility Delays and Regulatory Rejection of Project

13. In May 2018, Keyera Energy Inc. ("**Keyera**") was in the process of managing the construction of a storage facility and crude oil blending facility in Cushing, Oklahoma ("**Cushing**") known as the "**Wildhorse Terminal**". Petrolama expected the Wildhorse Terminal to be in operation by about the end of 2019 or early 2020.
14. On May 15, 2018, the Company signed two contracts with Keyera for the leasing of crude oil storage tanks at the Wildhorse Terminal (the "**Keyera Leases**"). One contract was for 1,100,000 barrels for four years (commencing when the Wildhorse Terminal became operational) at \$0.35 CAD per barrel per month. The second contract was for 850,000 barrels for six years (commencing when the Wildhorse Terminal became operational) for \$0.35 CAD per barrel per month. The Company's plan was to use the Wildhorse Terminal facilities for crude oil/butane blending, a process with which management of the Company had had great previous success at its Saskatchewan Facility. The Wildhorse Terminal was delayed and was not ultimately completed until July 2021.
15. In August 2018, the Company signed a 5-year storage and dock access agreement (the "**P66 Lease**") with Phillips 66 Gulf Coast Properties LLC ("**P66**"), to take effect upon completion of P66's construction of a 450,000 crude oil barrel tank in Beaumont, Texas ("**Beaumont**") which also provided access to its loading dock there (the "**P66 Facility**"). Completion of the P66 tank was scheduled to occur in December of 2019 but that was delayed until February of 2020.

16. For Petrolama, the purpose of the P66 Lease was for the P66 Facility to be the export facility for Canadian heavy crude oil as the export market for this business was growing at that time. It was expected that many of those barrels of crude oil would be sourced from the anticipated future production to be received from a project under development by Prosper Petroleum Ltd. that a Petrolama sister company was investing in near Fort McMurray, Alberta (the “**Rigel Project**”).
17. The Company’s integrated plan was to ship to the Wildhorse Terminal crude oil produced at the Rigel Project and other Canadian heavy crude oil, blend it there with butane, ship the blend to the P66 Facility, and export the crude oil from there. The timing of the P66 Lease coincided with the expected start-up date of the Wildhorse Terminal.
18. The Alberta Government first delayed and then ultimately refused to approve the Rigel Project upon request of the people of the Fort McKay Metis settlement. This removed a large source of Canadian heavy crude oil that Petrolama was planning on exporting via the Wildhorse Terminal and the P66 Facility. This was especially damaging because the Company would have been able to purchase this crude oil without the financing assistance of ING. In contrast, buying replacement barrels would require letters of credit through ING and by 2020 they would not finance this type of crude oil due to the ESG limitations mentioned above.
19. While not the sole economic reason for entering into the Keyera Leases and the P66 Lease, past history consistently showed that every few years, the exchange traded price curve for crude oil would move into contango mode for a brief period of time. A contango price curve occurs when the price of a future delivery month’s barrel of crude oil is greater than the price of a barrel delivered presently. Through market hedging, companies like Petrolama, who have leased storage available can profit greatly during these times.

C. The Crude Oil Market

20. While the Company enjoyed the benefit of using its storage under the P66 Lease to take advantage of a brief cycle of Contango pricing in April 2020, the 18-month delay in the completion of the Wildhorse Terminal resulted in the Company missing a tremendous opportunity to substantially benefit having regard to the fact that the Wildhorse Terminal is approximately four times the size of the P66 Facility. This missed opportunity especially hurt Petrolama since the price curve subsequently slipped back into significant “backwardation”. Backwardation is a term used to describe circumstances where the price of a current barrel of oil is higher than one delivered in a future month. The missed opportunity caused by Keyera’s delay in completing construction of the Wildhorse Terminal caused Petrolama to lose more than \$10,000,000 USD in opportunity costs.
21. By the time Keyera was able to put the Wildhorse Terminal into operation in July 2021, backwardation in the crude oil market was approximately \$7.00 USD/bbl for a one-year strip. If Petrolama would have operated the tanks, carried inventory, and tried to blend product, Petrolama would have lost well over \$12,000,000 USD not including financing

costs. In other words, given the market pricing, if Petrolama did nothing at all, Petrolama still would have owed approximately \$11,000,000 USD in storage fees under the Keyera Leases and the P66 Lease alone. In January 2020 the WTI/BRENT Arbitrage price was over \$6.00 USD/bbl but by July 2021 it had reduced to \$1.50 USD/bbl. Transportation is approximately \$3.00 USD/bbl making the plan to use the Keyera Leases uneconomical by the time the Wildhorse Terminal was operational. Thus, the export opportunity that the Company had counted on as part of its overall terminal strategy was eliminated.

22. Petrolama did not want to be exposed to having to store two million barrels of crude oil in the Wildhorse Terminal under the Keyera Leases. As such, when Petrolama entered into the Keyera Leases, it was known to Keyera that the Company's intention was for Petrolama to market and/or sublet one of the Keyera Leases. As such, Petrolama was actively marketing this tank position and had suitors interested in subletting to the point that a Memoranda of Intent was signed, but by the time Keyera was able to get the Wildhorse Terminal operating, the market had already turned severely backward.
23. As a result, all the potential customers understandably no longer wanted to lease any new storage. Backwardation in the crude oil market caused market storage rates in Cushing and Beaumont to plunge to less than approximately \$0.10 USD/bbl. This price can be contrasted with the Petrolama P66 Lease commitments of approximately \$0.55 USD/bbl at the P66 Facility for a 4 year term and \$0.35 USD/bbl at the Wildhorse Terminal for 4 and 6 year terms under the Keyera Leases.
24. Based on the foregoing, the Keyera Leases and the P66 Lease must be understood to be seriously "out of the money" for the Company.
25. Finally, even if the market had not gone into backwardation for as long and as severely as it did, the Company did not have the ability to fully utilize the storage tanks because it did not have the ability to finance crude oil storage when crude prices began to soar in early 2022. At that time, the cost of financing that amount of crude would have been prohibitive, and the size of the Company's then existing credit facility was also insufficient to handle that price spike.

D. The Mexico Project and the Stalking Horse Proposal

26. In April 2019, Petrolama started a new project in Mexico (the "**Mexico Project**") with two US based companies: Lago Energy Corp. ("**Lago**") and Deep Blue Petroleum LLC ("**Deep Blue**"). The Mexico Project contemplates using Deep Blue's technology to extract residue waste material (the "**Residue Material**") from a long-standing pool or lagoon in Texistepec, Mexico remaining on site from prior years of significant mining.
27. Throughout 2019 and 2020, the Company invested in the Mexico Project, aiming to ship Residue Material to the US Gulf Coast refineries as feedstock. Navitas Energy Group Ltd. ("**Navitas**") raised the initial start-up capital. Mr. Holmes and I indirectly own the shares and are the directors of Navitas.

28. A Commodities Sales/Purchase Agreement dated April 11, 2019, as amended by a Waiver and Amendment dated May 18, 2021 (collectively, the “**Commodities Contract**”) among Petrolama, Lago, and Navitas was entered into. Under the Commodities Contract, Petrolama has the right to sell the Residue Material and is obliged to pay out the proceeds (“**Proceeds**”) as provided thereunder, including to Navitas and through Navitas to Deep Blue and other financiers who have contributed the Mexico Project.
29. Pursuant to section 5.1 of the Commodities Contract, Petrolama is obligated to make payments of Proceeds received respecting the Mexico Project in accordance with the “waterfall” (the “**Waterfall**”) set out therein. Gunvor (as defined below) and certain payees (“**Payees**” as defined in the Stalking Horse Proposal) under the Waterfall are “**Unaffected Creditors**” (as defined in the Stalking Horse Proposal) because it is intended that their rights and claims as more particularly described in the Proposal, all of which relate to the Mexico Project, will be honoured in accordance with the Stalking Horse Proposal and not compromised in the Restructuring Process.
30. Pursuant to subsection 5.1 (c) of the Commodities Contract, under the Waterfall, Petrolama may collect a marketing fee from the Proceeds (“**Marketing Fee**”) of the sale of each barrel. Pursuant to subsection 5.1 (h) and (i) of the Commodities Contract, under the Waterfall, the maximum amount of Proceeds that Petrolama is capable of receiving thereunder is \$12,000,000 USD (the “**Loan Repayments**”)
31. As such, unlike the Keyera Leases and the P66 Lease, the Mexico Project has some potential value. Through the Restructuring Process, Petrolama seeks to make available to all “**Affected Creditors**” (as defined in the Stalking Horse Proposal), including Keyera and P66, a portion of any value it expects to achieve through the Mexico Project.
32. Specifically, pursuant and subject to the Stalking Horse Proposal (section 6.6), Petrolama intends to make available to Affected Creditors including Keyera, P66 and others, 50 percent of all Loan Repayments it may receive; and 50 percent of any Marketing Fee Petrolama may receive up to a maximum of \$3,000,000 USD. As such, the Affected Creditors have the potential to receive their pro rata share of a total maximum amount of \$9,000,000 USD under the Stalking Horse Proposal.
33. The Mexico Project experienced numerous start-up issues including severe weather, technology challenges separating water, road issues etc. These issues took well over a year to solve before any Residue Material could be extracted from the pool. Once most of those issues were addressed, the crude oil market (which affects the value of the Residue Material) fell drastically to less than \$40 USD/bbl making the Mexico Project uneconomic. The pandemic exacerbated the problem and resulted in a complete shut-down of the Mexico Project.
34. To keep the Mexico Project going, add to capacity, and fix other issues, Petrolama has invested approximately \$9,250,000 USD to date. As well, Gunvor as the buyer under a Deal Confirmation dated October 28, 2020 between Petrolama Energy Canada Inc. and

Gunvor USA, LLC., as amended on November 12, 2020 (the “**Gunvor Contract**”) has advanced to Petrolama \$1,050,000 USD to date and has agreed to advance a further \$200,000 USD to get the Mexico Project up and running (the “**Gunvor Advances**”) on the understanding that they will not pay Petrolama for the barrels of Residue Material that are first extracted and provided to them under the Gunvor Contract up to the value of the Gunvor Advances.

35. Over the past three to four months, Petrolama has been working on a plan to move the Residue Material from the lagoon via rail as other storage options are not currently available.
36. The Company believes there is value in the Mexico Project, but because of the above-mentioned delays, Petrolama has run out of time and funding to continue to advance it without the benefit of these restructuring proceedings.

Deferred Tax Asset

37. As at December 31, 2021, the Company’s tax advisors (Ernst and Young, LLP) calculated Petrolama’s deferred tax asset to be \$1,571,237 (the “**Deferred Tax Amount**”). This number was based on taxable losses in the 2020 and 2021 tax years that were over and above the amounts that the Company carried back to the 2019 and 2018 tax years. A deferred tax asset represents future tax benefit that the Company could gain from, if it once again became profitable in the same line of business in which the tax losses were incurred. It should be noted that, while the Deferred Tax Amount is included in the Company’s financial statements, these statements have not been audited. That said, it may be of some value to a potential buyer or investor. The Deferred Tax Amount will rise slightly as of the present date as the Company continued to lose a small amount of money in 2022. The Deferred Tax Amount provision as calculated by Ernst and Young LLP is included in the Company’s virtual Data Room (as defined below).

Interim Financing and the Cash Flow Statement

38. The Company has no on-the-ground operations in process anywhere at this time. To save costs, it has decreased its employees so that I am the sole remaining employee. The Company has also made other cuts including not renewing its prohibitively expensive directors’ and officers’ and all other insurance. Mr. Holmes, who was the President and CEO of the Company, has resigned as director, officer, and employee which is appropriate given that he has advised me that he is the sole director and shareholder of 884304 Alberta Ltd. (the “**Stalking Horse Bidder**”) which is the entity making the Stalking Horse Proposal and is also the Interim Lender making the Interim Facility available. It is contemplated that Mr. Holmes will continue to consult for the Company to the extent that is necessary or advisable, under the supervision of the Proposal Trustee.
39. Attached hereto and marked as **Exhibit “1”** is a copy of the Company’s cash flow forecast (the “**Cash Flow Forecast**”) to the week ending October 21, 2022 (such period being, the

“**Projection Period**”). The Cash Flow Forecast projects that the Company will require up to approximately \$285,000 CAD in interim financing to meet its expenses up to the end of the Projection Period.

40. If the Interim Facility is approved, the Company projects having sufficient cash flow to meet its expenses during the Projection Period. For clarity, the Company will not have sufficient funds available to pay the restructuring expenses unless the Interim Facility is approved. For this reason, the Company is seeking the Court’s approval for it to borrow under and pursuant to the Interim Facility.
41. I want to point out that the Cash Flow Forecast does not contemplate that any payments will be made to any creditors, including to Keyera under the Keyera Leases or to P66 under the P66 Lease - the Company intends to disclaim those leases pursuant to section 65.11 of the BIA.
42. If the Stalking Horse Proposal is the Successful Bid, the SISP contemplates the Restructuring Period ending on November 1, 2022. The hope is that the expenses may be less than the \$285,000 projected for the Projection Period so that no further funds will be required by the Company for the short stub period of time between the end of the Projection Period and the anticipated end of the Restructuring Period.

Overview of the Restructuring Process

43. The Restructuring Process envisages the Stalking Horse Bidder providing the Interim Facility and also making the Stalking Horse Proposal. The Stalking Horse Proposal is deemed by the SISP to be a Qualified Bid thereunder.
44. The Company has entered into an arrangement agreement with the Stalking Horse Bidder (the "**Arrangement Agreement**"), a copy of which is attached hereto as **Exhibit “2”**. Pursuant to the Arrangement Agreement, the Company will complete a statutory court-approved reorganization (the "**Reorganization**") under Section 192 of the *Business Corporations Act*, RSA 2000, c B-9 (the "**ABCA**") and in accordance with the Plan of Reorganization (the "**Plan of Reorganization**") attached as Schedule A to the Arrangement Agreement, provided that the Reorganization will only be completed if the Stalking Horse Bidder is selected as the Successful Bidder (as defined in the SISP) under the SISP.
45. Subject to the Stalking Horse Bidder being selected as the Successful Bidder, the Company desires to implement the Plan of Reorganization, by, among other things: (i) amending the articles of the Company pursuant to Section 192(2) of the ABCA and in accordance with the Plan of Reorganization by filing Articles of Reorganization to create two new classes of shares designated as Redeemable Shares and Voting Shares; (ii) re-designating the existing shares of the Corporation, being Class A Shares and Class B Shares, as fully paid and non-assessable Redeemable Shares, on a one-for-one basis; (iii) cancelling the Class C Common Shares, Class D Common Shares, Class E Common Shares, and Preferred

Shares in the capital of the Company, of which there are no issued or outstanding shares, in their entirety; (iv) redeeming all of the Redeemable Shares for fair market value, being nil; and (v) issuing 10,000 Voting Shares in the capital of the Corporation to the Stalking Horse Bidder in full repayment and satisfaction of the Interim Financing, all as more particularly described in the Stalking Horse Proposal, the Arrangement Agreement and the Plan of Reorganization.

46. Upon the Reorganization becoming effective, the Stalking Horse Bidder will be the sole shareholder of the Corporation.
47. Given the insolvency of the Company, its shares have no value. Nonetheless, the majority shareholder of the Company, Nefrite Investment a.s. ("**Nefrite**"), has approved of the subject matter of the Plan of Reorganization.
48. The Company made the decision to pursue the Restructuring Process after evaluation of various options available to it and in consultation with its professional advisors, because it believes that the Restructuring Process is the best option to maximize value for its stakeholders and preserve the Company as a going concern, all for the following reasons:
 - (a) The Stalking Horse Proposal provides certainty for the Company and its stakeholders that a transaction will result within this Restructuring Process;
 - (b) The SISP will allow for a fair, transparent and rules-based process in order to determine if there is a higher and better bid than the Stalking Horse Proposal available in the market. While the SISP is further described below, in order to qualify as a Superior Offer (as such term is defined in the SISP) a competing bid will need to: (i) provide for consideration at least \$10,000 in excess of the aggregate value of the Stalking Horse Transaction (as such term is defined in the SISP); and (ii) indefeasibly pay, in full and in cash, any obligations outstanding under and secured by the Administration Charge, the Directors' and Officers' Charge and the Interim Lender Charge (collectively, the "**BIA Charges**"), all as provided in the definition of a Superior Offer in the SISP; and
 - (c) The Stalking Horse Proposal or a Superior Offer will facilitate a restructuring of the Company's capital structure and allow the Company to continue business as a going concern, paying Unaffected Creditors in the ordinary course according to the terms of their agreements with Petrolama and the Commodities Contract and making available to Affected Creditors up to \$9,000,000USD that may become payable to Petrolama under the Commodities Contract. It is therefore in the best interests of the Company and its stakeholders.
49. I understand from the Proposal Trustee that it is supportive of the Company's Restructuring Process.

Implementation of the SISP

50. In consultation with the Proposal Trustee, the Company has developed the SISP. Attached hereto and marked as **Exhibit "3"** is a copy of the SISP. For ease of reference, capitalized terms used in this section of my Affidavit are as defined in the SISP.
51. The SISP contemplates that an opportunity to acquire the Company and/or its assets will be marketed in an open and transparent manner by the Company and the Proposal Trustee. The purpose of the SISP is to canvass the market for a Superior Offer which may take the form of restructuring or a refinancing offer, an acquisition, or purchase of the shares of the Company, an asset sale, or some combination thereof.
52. The SISP contemplates the following milestone deadlines and steps:
 - (a) The SISP will begin on August 12, 2022 if the Relief Sought is granted;
 - (b) The deadline for delivery of a bid to the Proposal Trustee is September 23, 2022 (the "**Bid Deadline**"), more than thirty (30) days after the SISP begins;
 - (c) Pursuant to paragraph 17 of the SISP, the Stalking Horse Bid is deemed to be a Bid and a Qualified Bid;
 - (d) Pursuant to paragraph 22 of the SISP, the Company, in consultation with the Proposal Trustee, will review and assess each Bid (other than the Stalking Horse Proposal) to determine whether such Bid is a Qualified Bid;
 - (e) Pursuant to Schedule "A" of the SISP, in order to constitute a Superior Offer, such Bid must comprise a credible, reasonably certain and financially viable offer made by a Qualified Bidder that (i) provides for consideration at least \$10,000 in excess of the aggregate value of the Stalking Horse Transaction, and (ii) the Proposal Trustee, in consultation with the Company, considers to be better than the Stalking Horse Transaction. A Bid made by a Qualified Bidder will not constitute a "Superior Offer" unless it provides for the indefeasible payment, in full and in cash, of any amounts owing in respect of those Obligations secured by the BIA Charges;
 - (f) Pursuant to paragraph 26 of the SISP, in the event that the Proposal Trustee determines that one or more Qualified Bids constitutes a Superior Offer, the Proposal Trustee may, but is not required to, approach all Qualified Bidders to submit a highest and best offer. The Proposal Trustee shall select the highest or best Qualified Bid as the Successful Bid and shall identify and record the next highest and/or best Superior Offer as the Back-Up Bid. The Proposal Trustee shall advise the Successful Bidder and the Back-Up Bidder of such determinations and all other Qualified Bidders that they are not a Successful Bidder or a Back-Up Bidder;

- (g) Pursuant to paragraph 25 of the SISP, where no Qualified Bids other than the Stalking Horse Proposal are received by the Bid Deadline, the Stalking Horse Proposal will be deemed the Successful Bid; and
 - (h) Pursuant to paragraphs 27 of the SISP, as soon as possible, after the selection of the Successful Bidder, either the Company or the Proposal Trustee shall apply to the Court (the “**Bid Approval Application**”) for an order approving the Successful Bid and authorizing the Company to enter into any and all necessary agreements with respect to the Successful Bid and to undertake such other actions as may be necessary or appropriate to give effect to the Successful Bid.
53. The SISP contemplates that the Proposal Trustee will engage in the marketing of the Company. Among other things: (i) the Company and the Proposal Trustee shall work to compile a list of known potential strategic and financial bidders (the “**Known Potential Bidders**”); and (ii) the Proposal Trustee will give notice regarding the SISP in *The Globe & Mail (National Edition)*, *Calgary Herald*, *Daily Oil Bulletin*, *Insolvency Insider* and any other publications or newswires as determined by the Proposal Trustee (see paragraphs 12 and 14 of the SISP).
54. Pursuant to paragraph 18 of the SISP, the Proposal Trustee will provide each Qualified Bidder with access to an electronic data room containing all material contracts to which the Company is or becomes a party to, due diligence materials and financial, tax and other information relating to the shares, the assets, the property and the business of the Company as soon as practicable after the determination that such Person is a Qualified Bidder (the “**Data Room**”). The Data Room shall be kept up to date by the Company and Proposal Trustee.
55. The Company believes that the market for an alternative transaction to the Stalking Horse Proposal will have been properly and appropriately canvassed through the SISP.

Approval of the Stalking Horse Proposal as a Qualified Bid under the SISP

56. For ease of reference, if not already defined, capitalized terms used in this section of my Affidavit are as defined in the Stalking Horse Proposal and citation references are also to the Stalking Horse Proposal unless otherwise indicated.
57. The Stalking Horse Proposal is Schedule B to the Arrangement Agreement, previously attached as **Exhibit “2”**.
58. The Stalking Horse Proposal, if ultimately determined to be the Successful Bid in accordance with the SISP, will constitute an arm’s length transaction. The Stalking Horse Proposal, contemplates effecting the following steps:
- (a) The Articles will be amended and filed with the Alberta Registrar of Corporations as required by Section 192(4) of the ABCA, such that two classes of shares shall be

authorized: New Shares and Redeemable Shares, and the Class C Common Shares Class D Common Shares, Class E Common Shares, and Preferred Shares in the capital of the Company of which there are no issued or outstanding shares shall be cancelled in their entirety (Section 7.1 (a));

- (b) All Existing Shares will be re-designated as fully paid and non-assessable Redeemable shares, on a one-for-one basis (Section 7.1 (b));
 - (c) All Redeemable Shares will be redeemed, cancelled, and extinguished for their fair market value (being nil) (Section 7.1 (c));
 - (d) The Company will issue 10,000 New Shares to the Stalking Horse Bidder in full and final satisfaction of the Interim Financing Obligations (Section 7.1 (d));
 - (e) Each Affected Creditor shall be assigned its pro rata share of the Net Creditor Recovery Amounts in full satisfaction of their Affected Claims as more particularly outlined in Article 6.6 of the Stalking Horse Proposal (Section 6.6);
 - (f) All Claims that are not Unaffected Claims shall be released, barred, and extinguished (Section 7.1 (e));
 - (g) The releases contained within the Stalking Horse Proposal will become effective (Section 7.1 (f));
 - (h) The New Directors will be appointed as directors of the Company (Section 7.1 (g)); and
 - (i) The BIA Charges will be deemed to be fully satisfied, released, and discharged (Section 7.1 (h)).
59. Upon completing the SISP, the Company intends to seek: (i) approval of the Stalking Horse Proposal or, should a Superior Offer arise, (ii) approval of the Superior Offer and any corresponding agreement as contemplated therein. The Stalking Horse Proposal, in conjunction with the commencement of the SISP, provides the Company with a binding and definite agreement, in the event that no Superior Offer arises, which will provide a means by which the Company will be able to successfully restructure its business and continue such business as a going concern, albeit under the control of new shareholders.

Administration Charge

60. The Company requests that this Honourable Court grant a charge in favour of the Company's counsel, the Proposal Trustee and the Proposal Trustee's counsel, in order to secure the payment of professional fees and expenses incurred in connection with the Restructuring Process, in priority to existing creditors of the Company. Given the insolvency of the Company, providing such professionals with security for payment for

their services will be necessary in order to effect the completion of the SISP and the restructuring of the Company as a going concern.

61. Accordingly, the Company seeks an Administration Charge in the amount of \$150,000. I believe that the quantum of the proposed Administration Charge is fair and reasonable in light of the complexity of the Restructuring Process.
62. The Company has sought and obtained guidance from the Proposal Trustee in proposing this amount and it is my understanding that the Proposal Trustee is supportive.

Directors' and Officers' Indemnity and Charge

63. Up until just days ago, the Company had four directors: Mr. Holmes, Mr. Petr Dohnal, Mr. Pavel Ondra, and Mr. Pavel Pojdl. Mr. Holmes and Mr. Ondra resigned from the Board on July 22, 2022. As a result, the two remaining directors are Mr. Pavel Pojdl, who is an energy consultant based in Prague, CZ, and Mr. Petr Dohnal, who is a businessman residing in Prague, CZ (the "Directors"). It is important that they continue in their roles on the Board and that I continue as an officer to see the restructuring process through.
64. The proposed form of Order relating to the Application provides that the Company shall indemnify its officers and directors against obligations or liabilities that they may incur during the Restructuring Period.
65. The Company requests that this Honourable Court grant a charge in favour of the Company in order to secure the indemnification of the directors and officers of the Company from and against liabilities and obligation of the directors and officers of the Company that are incurred after the commencement of the Restructuring Process, in priority to existing creditors of the Company. The continued commitments of such persons will be necessary in order to effect the completion of the SISP and the restructuring of the Company as a going concern. Accordingly, the Company seeks a Directors' and Officers' Charge on the Collateral in the amount of \$65,000.
66. Given that there is currently no Directors' and Officers' liability insurance policy in place to indemnify the Directors and Officers of the Company, if the Directors' and Officers' Charge is not granted, there is a possibility that the current Directors and potentially me as an officer will not continue our involvement in the Restructuring Process.
67. I believe that the quantum of the proposed Directors' and Officers' Charge is fair and reasonable in light of the nature of the ongoing operations and the complexity of the Restructuring Process. The Company has sought and obtained guidance from the Proposal Trustee in proposing this amount who, I understand, is supportive of it.

Interim Lender Charge

68. As described above, the Company does not project to have sufficient cash flow to fund the Restructuring Process during the Restructuring Period, absent the Court's approval of

the Interim Facility. The Company accordingly seeks approval of the agreed upon and binding “**Interim Financing Terms**” between the Company, as borrower, and 884304 Alberta Ltd. (in this capacity and if so approved, the “**Interim Lender**”), as interim lender, and authorization to obtain the Interim Facility thereunder and as defined therein. Attached hereto and marked as **Exhibit “4”** is a copy of the Interim Financing Terms.

69. The Interim Lender has indicated that, absent the approval an interim financing charge and the priority accorded thereunder, it is not willing to finance the Restructuring Process.
70. The Company seeks approval of advances up to the amount of \$300,000 under the Interim Facility, and a corresponding Interim Lender Charge on the Collateral, to fund the Company’s expenses during the Restructuring Period.
71. I believe that the Interim Financing Terms are fair and reasonable in the circumstances, having regard to, among other things; (a) the anticipated length of the proceedings; (b) the timelines provided for in the SISP; (c) how the Company’s business and financial affairs are to be managed during this Restructuring Process and the SISP process; (d) the likelihood that the Interim Facility will enhance the prospects of a viable proposal to the Company’s creditors; and (e) the Company’s cash flow projections as set out in the Cash Flow Projection.

Priority of Charges

72. With the Proposal Trustee’s support, the Company proposes that the priorities of the BIA Charges shall be as follows:
 - (a) **First** - Administrative Charge (to the maximum of \$150,000);
 - (b) **Second** - Directors’ and Officers’ Charge (to the maximum amount of \$65,000); and
 - (c) **Third** - Interim Lender Charge (to the maximum amount of \$300,000 plus any other Interim Financing Obligations (as defined in the Interim Facility).

Extension of Time to File a Proposal

73. The Restructuring Process, including milestones for key dates in the SISP and completion of the Stalking Horse Proposal, has been planned by the Company in advance of the filing of the NOI. An extension of the time for the Company to file a proposal is a material component of the SISP. In preparation for the filing of the NOI, the Company has been diligently pursuing activities aimed at the presentation of the Stalking Horse Proposal, the implementation of the SISP and complying with various requirements under the BIA so as to successfully implement the Restructuring Process. Such activities include:
 - (a) Preparing and analyzing the list of creditors;

- (b) Providing the Proposal Trustee with access to the Company's employees, books and records; and
 - (c) Working with the Proposal Trustee and counsel to prepare the Cash Flow Forecast, and to identify issues with respect to the financial condition of the Company and the status of its creditors.
74. The Company is committed to ensuring that a transaction occurs in order to maintain its business (albeit in a restructured form) through the Stalking Horse Proposal, and to maximizing value for its creditors and other stakeholders through the proposed SISP.
75. In order to continue to work toward the formulation and filing of a proposal, as further discussed below, the Company requires an extension, pursuant to section 50.4(9) of the BIA, of the time period within which it may file a proposal to its creditors as outlined in the Relief Sought. In this regard:
- (a) The Company has acted and is acting in good faith and with due diligence both in the period prior to the filing of the NOI in developing the Restructuring Process, and in the brief period following the filing of the NOI in seeking the Relief Sought in a timely manner;
 - (b) The Company will likely be able to make a viable proposal through either the Stalking Horse Proposal or, if a Superior Offer is advanced in the SISP, by way of implementation of such Superior Offer; and
 - (c) The expectation in the Stalking Horse Proposal is that if the Mexico Project is successfully advanced by Petrolama, its creditors have the opportunity to be paid their pro rata share of the Net Creditor Recovery Amounts (as defined in the Stalking Horse Proposal) as Proceeds are received by Petrolama, all as more particularly outlined in Article 6.6 of the Stalking Horse Proposal. The total Net Creditor Recovery Amounts could be as high as approximately \$9,000,000 USD. The alternative to filing a proposal is an assignment into bankruptcy by which Petrolama's creditors will receive nothing. As a result, no creditor will be materially prejudiced by the granting of the Relief Sought.

Conclusion

76. I swear this Affidavit in support of the Application for the Relief Sought by the Company in its Application and for any other proper purpose in connection with these restructuring proceedings.

SWORN BEFORE ME on the 2nd day of
August, 2022 at the City of Calgary, Alberta.



(A Commissioner for Oaths in and for Alberta)

Angad Bedi
Barrister & Solicitor



Paul Farley Joslyn

This is **Exhibit "1"** referred to in the Affidavit of Paul Joslyn, sworn before me on August 2, 2022.



A Commissioner for Oaths in and for Alberta

Angad Bedi
Barrister & Solicitor

District of: Alberta
Division No. 02 - Calgary
Court No.
Estate No. 25-2851343

- FORM 30 -

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

The The Management of Petrolama Energy Canada Inc., has/have developed the assumptions and prepared the attached statement of projected cash flow of the insolvent person, as of the 22nd day of July 2022, consisting of .

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

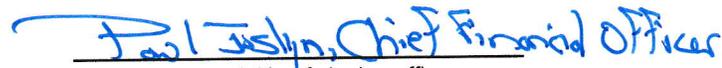
Since the projection is based on assumptions regarding future events, actual results will vary from the information presented, and the variations may be material.

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

Dated at the city of Calgary in the Province of Alberta, this 30th day of July 2022.



Petrolama Energy Canada Inc.
Debtor



Name and title of signing officer

Name and title of signing officer

District of: Alberta
Division No. 02 - Calgary
Court No.
Estate No. 25-2851343

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

Purpose:

Please refer to additional items attached.

Projection Notes:

Please refer to additional items attached.

Assumptions:

Please refer to additional items attached.

Dated at the city of Calgary in the Province of Alberta, this 30th day of July 2022.



Petrolama Energy Canada Inc.

District of: Alberta
Division No. 02 - Calgary
Court No.
Estate No. 25-2851343

-- FORM 29 --
Trustee's Report on Cash-Flow Statement
(Paragraphs 50(6)(b) and 50.4(2)(b) of the Act)

The attached statement of projected cash flow of Petrolama Energy Canada Inc., as of the 22nd day of July 2022, consisting of , has been prepared by the management of the insolvent person (or the insolvent debtor) for the purpose described in the notes attached, using the probable and hypothetical assumptions set out in the notes attached.

Our review consisted of inquiries, analytical procedures and discussion related to information supplied to us by: the management and employees of the insolvent person or the insolvent person. Since hypothetical assumptions need not be supported, our procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the projection. We have also reviewed the support provided by: management or the insolvent person for the probable assumptions and preparation and presentation of the projection.

Based on our review, nothing has come to our attention that causes us to believe that, in all material respects,

(a) the hypothetical assumptions are not consistent with the purpose of the projection;

(b) as at the date of this report, the probable assumptions developed are not suitably supported and consistent with the plans of the insolvent person or do not provide a reasonable basis for the projection, given the hypothetical assumptions; or

(c) the projection does not reflect the probable and hypothetical assumptions.

Since the projection is based on assumptions regarding future events, actual results will vary from the information presented even if the hypothetical assumptions occur, and the variations may be material. Accordingly, we express no assurance as to whether the projection will be achieved.

The projection has been prepared solely for the purpose described in the notes attached, and readers are cautioned that it may not be appropriate for other purposes.

Dated at the city of Calgary in the Province of Alberta, this 30th day of July 2022.

Alvarez & Marsal Canada Inc. - Licensed Insolvency Trustee
Per:



Orest Konowalchuk - Licensed Insolvency Trustee
Bow Valley Square 4
Suite 1110, 250 6th Ave SW
Calgary AB T2P 3H7
Phone: (403) 538-7555 Fax: (403) 538-7551

District of: Alberta
Division No. 02 - Calgary
Court No.
Estate No. 25-2851343

FORM 29 - Attachment
Trustee's Report on Cash-flow Statement
(Paragraphs 50(6)(b) and 50.4(2)(b) of the Act)

Purpose:

Please refer to additional items attached.

Projection Notes:

Please refer to additional items attached.

Assumptions:

Please refer to additional items attached.

Dated at the city of Calgary in the Province of Alberta, this 30th day of July 2022.

Alvarez & Marsal Canada Inc. - Licensed Insolvency Trustee

Per:



Orest Konowalchuk - Licensed Insolvency Trustee

Bow Valley Square 4

Suite 1110, 250 6th Ave SW

Calgary AB T2P 3H7

Phone: (403) 538-7555 Fax: (403) 538-7551

Petrolama Energy Canada Inc.

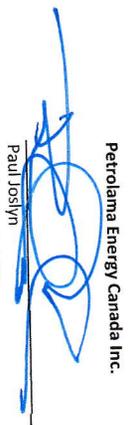
13-Week Cash Flow Forecast ending October 21, 2022

SCAD

Notes	Week 1 29-Jul-22	Week 2 5-Aug-22	Week 3 12-Aug-22	Week 4 19-Aug-22	Week 5 26-Aug-22	Week 6 2-Sep-22	Week 7 9-Sep-22	Week 8 16-Sep-22	Week 9 23-Sep-22	Week 10 30-Sep-22	Week 11 7-Oct-22	Week 12 14-Oct-22	Week 13 21-Oct-22	13-week Total
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	1	2	3	4	5	6	7	8	9	10		
Cash Receipts												
Miscellaneous	\$ -	\$ -	\$ 1,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,000	\$ -	\$ 5,000	
GST refund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,000	
Operating Cash Disbursements												
Wages and salaries	\$ -	\$ -	\$ -	\$ 12,000	\$ -	\$ 12,000	\$ -	\$ -	\$ -	\$ 12,000	\$ -	
Employee costs	\$ -	\$ 5,100	\$ -	\$ 2,000	\$ -	\$ 1,350	\$ -	\$ -	\$ -	\$ 1,350	\$ -	
Consulting	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,500	\$ -	\$ -	\$ -	\$ 2,500	\$ -	
Interest and bank charges	\$ -	\$ -	\$ -	\$ 400	\$ -	\$ -	\$ 650	\$ -	\$ 400	\$ -	\$ 800	
Rent	\$ -	\$ -	\$ 1,600	\$ -	\$ -	\$ 1,600	\$ -	\$ -	\$ -	\$ 1,600	\$ -	
Utilities	\$ -	\$ -	\$ 700	\$ -	\$ -	\$ 700	\$ -	\$ -	\$ -	\$ 700	\$ -	
Contingency	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,000	
Operating Net Cash Flow	\$ -	\$ 6,700	\$ 700	\$ (14,400)	\$ -	\$ (17,450)	\$ 1,350	\$ -	\$ 400	\$ 17,450	\$ 1,500	
Non-Operating Cash Disbursements												
Alvarez & Marsal Canada Inc.	\$ -	\$ -	\$ 75,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 40,000	
JSS Barristers & Solicitors	\$ -	\$ -	\$ 50,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 43,000	
Blakes LLP	\$ -	\$ -	\$ 25,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 25,000	
Use of Professional fees retainer	\$ -	\$ -	\$ (50,000)	\$ -	\$ -	\$ -	\$ (33,000)	\$ -	\$ -	\$ -	\$ (48,100)	
Advertising for SISP	\$ -	\$ 25,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 59,900	
Net Cash Flow	\$ -	\$ (31,700)	\$ (99,700)	\$ (14,400)	\$ -	\$ (17,450)	\$ (78,350)	\$ (12,000)	\$ (400)	\$ (17,450)	\$ (56,400)	
Opening Cash	\$ 74,590	\$ 74,590	\$ 42,890	\$ 43,190	\$ 28,790	\$ 28,790	\$ 28,790	\$ 11,340	\$ 32,990	\$ 20,590	\$ 20,590	
Net cash flow	\$ -	\$ (31,700)	\$ (99,700)	\$ (14,400)	\$ -	\$ (17,450)	\$ (78,350)	\$ (12,000)	\$ (400)	\$ (17,450)	\$ (56,400)	
Proposed Interim Financing advances / (payments)	\$ -	\$ -	\$ 100,000	\$ -	\$ -	\$ -	\$ 100,000	\$ -	\$ -	\$ -	\$ 85,000	
Ending Cash	\$ 74,590	\$ 42,890	\$ 43,190	\$ 28,790	\$ 28,790	\$ 11,340	\$ 32,990	\$ 20,590	\$ 3,140	\$ 31,740	\$ 19,740	
Proposed Interim Financing												
Proposed Interim Financing Limit	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	
Advances	-	-	100,000	-	-	-	-	-	-	-	85,000	-
Repayments	-	-	-	-	-	-	-	-	-	-	-	-
Proposed Interim Financing Availability	300,000	300,000	200,000	200,000	200,000	200,000	100,000	100,000	100,000	100,000	15,000	

UNAUDITED CASH FLOW FORECAST PREPARED BY MANAGEMENT, MUST BE READ IN CONJUNCTION WITH THE NOTES AND ASSUMPTIONS & TRUSTEE'S REPORT ON THE CASH FLOW STATEMENT

Petrolama Energy Canada Inc.

 Paul Joslyn
 Chief Financial Officer

July 30, 2022
 Date

Alvarez & Marsal Canada Inc. - Trustee

 Orest Konowalchuk, LIT
 Senior Vice President

July 30, 2022
 Date

In the Matter of the Notice of Intention to Make a Proposal of

Petrolama Energy Canada Inc.

Notes to the Consolidated Statement of Cash Flow for the 13-week period ending October 21, 2022

Purpose and General Assumptions of the Cash Flow Statement

Petrolama Energy Canada Inc. (“**Petrolama**” or the “**Company**”) has prepared this Cash Flow Statement and the accompanying Notes to the Cash Flow Statement (collectively the “**Cash Flow Statement**”) in support of the proposal proceedings that has been filed under the Bankruptcy and Insolvency Act (“**BIA**”) on July 27, 2022.

Alvarez & Marsal Canada Inc. is the Proposal Trustee in this matter (the “**Proposal Trustee**”). The Cash Flow Statement should be read in conjunction with the Report on Cash Flow Statement by the Company (Form 30 under the BIA) and also with the Proposal Trustee’s Report on Cash Flow Statement (Form 29 under the BIA).

The Company has prepared the Cash Flow Statement based on probable and hypothetical assumptions that reflect the Company’s planned course of action for the period from July 27, 2022 to October 21, 2022 (the “**Cash Flow Period**”). Management is of the opinion that, as at the date of filing the Cash Flow Statement, the assumptions used to develop the projection represent the most probable set of economic conditions facing the Company and that the assumptions used proved a reasonable basis for and are consistent with the purpose of the Cash Flow Statement.

The Cash Flow Statement has been developed pursuant to subsection 50 (6) of the BIA and is in support of these BIA proceedings. The information contained in the Cash Flow Statement is subject to changing assumptions and/or receipt of new or additional information; actual results may vary.

This Cash Flow Statement should not be used for any other purpose, and creditors are cautioned that the information provided in the Cash Flow Statement could vary based on changing future circumstances.

The projected cash flow statement is prepared in Canadian dollars.

Hypothetical and Probable Assumptions of the Cash Flow Statement

1. GST refund is the estimated monthly ITC’s claimed on the monthly GST returns.
2. Wages and Salaries represent semi-monthly payroll for one employee during the 13 week cash flow period.ining 12 weeks of the cash flow forecast.
3. Employee costs are the monthly expenses the Company incurs as per the contracts in place with those employees who were previously and currently entitled to health benefits and other employee expenses.
4. Consulting represents a monthly cost estimated for Mr. Scott Holmes (former director) to assist the Company and the Proposal Trustee, on an “as needed basis” respecting the Sales Process.

5. Interest and bank charges are the monthly expenses estimated to be charged by the bank on the chequing accounts. These amounts are forecasted based on historical usage. Monthly DIP interest is estimated based on the advances from the DIP financing.
6. Rent expense is for the lease of the Company's head office and is a monthly payment per the terms of the rental agreement.
7. Utilities expense represents costs utility costs to use of the office space. These costs are not included in the monthly base rent charge to the Company. These amounts are forecasted based on historical usage.
8. A contingency of \$10,000 for the 13-week period has been incorporated into the cashflow to cover unexpected amounts the Company may incur during the NOI.
9. Non-Operating costs include amounts forecast professionals fees of the Company's counsel, the Proposal Trustee and the Proposal Trustee's legal counsel (the "**NOI Professionals**"), in carrying out its duties during the NOI proceedings. In addition, non-operating costs include estimated costs associated in carrying out the proposed Sales Process (i.e. advertisement costs in local and national newspapers and newswires, photocopying).

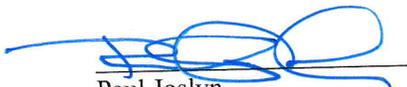
Each of the NOI Professionals are currently in receipt of a retainer from the Company. Company counsel was provided \$83,000 and the Proposal Trustee and its legal counsel were provided a total of \$48,100. It is assumed that the Company's counsel will apply its retainer as against its monthly forecast fees until the retainer is utilized in full. The Proposal Trustee and its legal counsel anticipates utilizing its retainer in Week 11. Should the retainer funds held by the NOI Professionals not be utilized in full throughout the NOI proceedings, these funds will be returned to either the Company or the DIP Lender.

10. Proposed interim financing required to fund the NOI proceedings, which is subject to Court approval.

UNAUDITED CASH FLOW FORECAST PREPARED BY MANAGEMENT, MUST BE READ IN CONJUNCTION WITH THE NOTES AND ASSUMPTIONS & TRUSTEE'S REPORT ON THE CASH FLOW STATEMENT

Petrolama Energy Canada Inc.

Trustee – Alvarez & Marsal Canada Inc.


Paul Joslyn
Chief Financial Officer



Orest Konowalchuk, LIT
Senior Vice-President

Date: July 30, 2022

Date: July 30, 2022

This is **Exhibit "2"** referred to in the Affidavit of Paul Joslyn, sworn before me on August 2, 2022.



A Commissioner for Oaths in and for Alberta

Angad Bedi
Lawyer & Solicitor

ARRANGEMENT AGREEMENT

between

884304 ALBERTA LTD.

and

PETROLAMA ENERGY CANADA INC.

August 2, 2022

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ARRANGEMENT AGREEMENT

THIS ARRANGEMENT AGREEMENT is dated August 2, 2022 between:

884304 ALBERTA LTD., a corporation incorporated and existing under the laws of Alberta (hereinafter referred to as the "**Purchaser**")

- and -

PETROLAMA ENERGY CANADA INC., a corporation incorporated and existing under the laws of Alberta (hereinafter referred to as the "**Company**")

WHEREAS on July 27, 2022, the Company filed a notice of intention to make a proposal (the "**NOI**") pursuant to section 50.4(1) of the BIA (as defined herein) with the official receiver (as defined in the BIA);

AND WHEREAS on August 10, 2022, the Company will be seeking an order of the Court of Queen's Bench of Alberta (the "**Court**") to, among other things, have approved the SISP, including its deeming of the Stalking Horse Proposal to be a Qualified Bid thereunder, and authorize and direct the Proposal Trustee to implement the SISP;

AND WHEREAS the Company and the Purchaser desire to proceed with the transactions contemplated by this Agreement, including the filing of the Proposal, the conducting of a creditors' meeting, and, subject to approval by the affected creditors and the Court, the completion of the Arrangement and the issuance of the Issued Shares to the Purchaser hereunder;

AND WHEREAS the Parties have entered into this Agreement to provide for the matters referred to in the foregoing recitals and for other matters related to the transactions herein provided for;

AND WHEREAS capitalized terms used but not otherwise defined in this Agreement have the meanings set out in Section 1.1;

NOW THEREFORE THIS AGREEMENT WITNESSES THAT IN CONSIDERATION of the covenants and agreements herein contained and other good and valuable consideration (the receipt and sufficiency of which are hereby acknowledged), the Parties covenant and agree as follows:

ARTICLE 1 INTERPRETATION

1.1 Definitions

In this Agreement, unless the context otherwise requires:

"**ABCA**" means the *Business Corporations Act* RSA 2000, c.B-9;

"**Agreement**", "**herein**", "**hereof**", "**hereto**", "**hereunder**" and similar expressions mean and refer to this Arrangement Agreement (including the schedules hereto) as supplemented, modified or amended, and not to any particular article, Section, schedule or other portion hereof;

"**Arrangement**" means the reorganization of the Company's capital pursuant to a plan of reorganization under section 192 of the ABCA as described in the Plan of Reorganization, subject to any amendments or variations thereto made in accordance with the provisions hereof or as may be made at the direction of the Court;

"Articles of Reorganization" means the articles of reorganization of the Company in respect of the Arrangement required under subsection 192(4) of the ABCA to be sent to the Registrar after the Proposal Approval Order has been granted, giving effect to the Arrangement;

"BIA" means the *Bankruptcy and Insolvency Act*, RSC 1985, c B-3, including the regulations promulgated thereunder, as amended;

"BIA Proceedings" means the proceedings initiated by the Company on July 27, 2022 by filing a NOI pursuant to section 50.4 the BIA;

"Bid Deadline" has the meaning given to such term in the SISP;

"Breaching Party" has the meaning ascribed thereto in Section 6.4;

"Business Day" means each day other than a Saturday or Sunday or a statutory or civic holiday on which banks are open for business in Calgary, Alberta, Canada;

"Canadian Securities Administrators" means the securities commission or other securities regulatory authority of each province and territory of Canada;

"Canadian Securities Laws" means the securities legislation or ordinance and regulations thereunder of each province and territory of Canada and the rules, instruments, policies and orders of each Canadian Securities Administrator made thereunder;

"Certificate" means the certificate to be issued by the Registrar pursuant to subsection 192(5) of the ABCA in respect of the Articles of Reorganization giving effect to the Arrangement;

"Class A Shareholders" means the holders of Class A Shares;

"Class A Shares" means the Class A Common Shares of the Company as constituted on the date hereof;

"Class B Shareholders" means the holders of Class B Shares;

"Class B Shares" means the Class B Common Shares of the Company as constituted on the date hereof;

"Company Shareholders" means collectively, the Class A Shareholders and the Class B Shareholders;

"Company Shares" means collectively, the Class A Shares and Class B Shares;

"Court" has the meaning ascribed thereto in the recitals;

"Creditor" has the meaning given to such term in the Proposal;

"Creditors' Meeting" has the meaning given to such term in the Proposal;

"Effective Date" means the effective date of the Arrangement, being the date shown on the Certificate;

"Effective Time" means the time on the Effective Date that the Certificate is issued;

"Governmental Entity" means any: (a) multinational, federal, provincial, territorial, state, regional, municipal, local or other government, or any governmental or public department, court, tribunal, arbitral body, commission, board, bureau or agency; (b) subdivision, agent, commission, board or authority of any

of the foregoing; or (c) quasi-governmental or private body (including any securities commission or similar regulatory authority) exercising any regulatory, expropriation or taxing authority under or for the account of any of the foregoing;

"**IFRS**" means International Financial Reporting Standards, as incorporated in the Handbook of the Canadian Institute of Chartered Accountants, at the relevant time applied on a consistent basis;

"**Interim Financing**" means a super priority, interim, non-revolving credit facility in the amount of \$300,000 subject to the terms and conditions contained in the Interim Financing Terms;

"**Interim Financing Closing Date**" means the date on which the funding conditions set out in section 7 of the Interim Financing Terms are satisfied;

"**Interim Financing Obligations**" has the meaning given to such term in the Interim Financing Terms;

"**Interim Financing Terms**" means the interim financing terms dated August 2, 2022 between the Company and the Purchaser;

"**Issued Shares**" means 10,000 Voting Shares to be issued to the Purchaser by the Company pursuant to the Share Issuance as part of the Plan of Reorganization and in full repayment and satisfaction of the Interim Financing Obligations;

"**Laws**" means all laws, by-laws, statutes, rules, regulations, principles of law, decisions, orders, ordinances, protocols, codes, guidelines, policies, notices, directions and judgments and other requirements and the terms and conditions of any grant of approval, permission, authority or license of any Governmental Entity or self-regulatory authority and the term "**applicable**" with respect to such Laws and in a context that refers to one or more Persons, means such Laws as are applicable to such Persons or its business, activities, property, assets, undertaking or securities and emanate from a Person having jurisdiction over the Person or Persons or its business, activities, property, assets, undertaking or securities; and, for greater certainty, "**Laws**" includes Canadian Securities Laws;

"**Material Adverse Change**" or "**Material Adverse Effect**" means any fact or state of facts, circumstance, change, effect, occurrence or event which:

- (a) either individually is or in the aggregate are, or individually or in the aggregate could reasonably be expected to be, material and adverse to the business, operations, results of operations, properties, assets, liabilities (whether absolute, accrued, contingent or otherwise), capitalization or condition (financial or otherwise) of the Company; or
- (b) either individually or in the aggregate prevents or materially delays, or individually or in the aggregate could reasonably be expected to prevent or materially delay, the completion of the Arrangement or the Company from performing its obligations under this Agreement in any material respect,

but for certainty, a Material Adverse Change or Material Adverse Effect does not include the insolvency of the Company or its filing of an NOI in the BIA Proceedings;

"**Misrepresentation**" means any untrue statement of a material fact or any omission to state a material fact required to be stated or necessary to be stated in order to make a statement, in light of the circumstances in which it is made, not misleading;

"**NOI**" has the meaning ascribed thereto in the recitals;

"**Outside Date**" means November 30, 2022, as may be amended from time to time by mutual written agreement between the Parties;

"Parties" means the Purchaser and the Company, and **"Party"** means either one of them;

"Permits" means all authorizations, permits, decisions, determinations, judgments, directions, entitlements, licenses, orders, consents, approvals, notices, correspondence, directives, exemptions, registrations, rulings, advance rulings and certifications whether now existing or hereafter issued or obtained or required to be issued or obtained and which are or may be given or issued by any Governmental Entity;

"Person" means any individual, partnership, joint venture, trust, corporation, unincorporated organization, government, or any agency or instrumentality thereof, or any other entity howsoever designated or constituted;

"Plan of Reorganization" means the transactions set forth in Schedule A comprised of the Arrangement, the Share Redemption and the Share Issuance pursuant to which the Purchaser will become the sole shareholder of the Company in full repayment and satisfaction of the Interim Financing Obligations;

"Proposal" means the Proposal of the Company, pursuant to the provisions of Part III Division I of the BIA, substantially in the form set forth in Schedule B;

"Proposal Approval Order" means an order of the Court, substantially in the form of Schedule C hereto which, among other things, approves the Proposal and includes provisions permitted pursuant to section 192 of the ABCA as may be necessary or appropriate to give effect to the Proposal;

"Proposal Trustee" means Alvarez & Marsal Canada Inc., solely in its capacity as proposal trustee in the BIA Proceedings and not in its personal or corporate capacity;

"Qualified Bid" has the meaning given to such term in the SISP;

"Redeemable Shares" means the Redeemable Common Shares of the Company authorized on completion of the Arrangement having the rights, restrictions and conditions attached hereto in Appendix "A" to Schedule A hereto;

"Registrar" has the meaning given to such term in the ABCA;

"Regulatory Approvals" means any consent, waiver, permit, permission, exemption, revocation, review, order, decision or approval of, or any registration and filing with or withdrawal of any objection or successful conclusion of any litigation brought by, any Governmental Entity, or the expiry, waiver or termination of any waiting period imposed by Law or a Governmental Entity or pursuant to a written agreement between the Parties and a Governmental Entity to refrain from consummating the Arrangement, in each case required or advisable under Laws in connection with the Arrangement;

"Representatives" means the officers, directors, employees, financial advisors, legal counsel, accountants and other agents and representatives of a Party;

"Share Issuance" means the issuance by the Company of 10,000 Voting Shares to the Purchaser as part of the Plan of Reorganization;

"Share Redemption" means the redemption by the Company of all outstanding Redeemable Shares for no consideration as part of the Plan of Reorganization;

"SISP" has the meaning given to such term in the Proposal;

"Stalking Horse Proposal" has the meaning given to such term in the SISP;

"Subsidiary" has the meaning set forth in the *Securities Act*, RSA 2000, c S-4;

"Successful Bid" has the meaning given to such term in the SISP;

"Tax" or **"Taxes"** means any and all taxes, duties, fees, premiums, assessments, imposts, levies and other charges or assessments of any kind whatsoever imposed by any Governmental Entity, however denominated, together with all interest, penalties, fines, additions to tax or other additional amounts imposed in respect thereof, including those levied on, or measured by, or referred to as, income, gross receipts, profits, capital, large corporation, capital gain, alternative minimum, transfer, land transfer, sales, goods and services, harmonized sales, use, value-added, excise, stamp, withholding, environmental, carbon, franchising, real or personal property, health, payroll, employment, health, social services, education and social security taxes, all surtaxes, all customs duties and import and export taxes, all employment insurance, health insurance and Canada and other Governmental Entity pension plan and workers compensation premiums or contributions including any interest, fines or penalties for failure to withhold, collect or remit any tax and any liability for such taxes imposed by Law with respect to any other Person arising pursuant to any tax sharing, indemnification or other agreements or any liability for taxes of any predecessor or transferor entity and whether disputed or not;

"Tax Act" means the *Income Tax Act*, R.S.C. 1985, c. 1 (5th Supp.);

"Tax Returns" means all reports, elections, designations, forms, declarations of estimated Tax, information statements and returns relating to, or required to be filed in connection with any Taxes, including any amendment thereof, and whether in tangible or electronic form;

"Termination Notice" and **"Terminating Party"** have the respective meanings ascribed thereto in Section 6.4; and

"Voting Shares" means the Voting Common Shares of the Company authorized on completion of the Arrangement having the rights, restrictions and conditions attached hereto in Appendix "A" to Schedule A hereto;

1.2 Interpretation Not Affected by Headings

The division of this Agreement into Articles, Sections, subsections and paragraphs and the insertion of headings are for convenience of reference only and shall not affect in any way the meaning or interpretation of this Agreement.

1.3 Article References

Unless the contrary intention appears, references in this Agreement to an Article, Section, subsection, paragraph or Schedule by number or letter or both refer to the Article, Section, subsection, paragraph or Schedule, respectively, bearing that designation in this Agreement.

1.4 Number and Gender

In this Agreement, unless the contrary intention appears, words importing the singular include the plural and *vice versa*, and words importing gender shall include all genders.

1.5 Date for Any Action

If the date on which any action is required to be taken hereunder by a Party is not a Business Day in the place where the action is required to be taken, such action shall be required to be taken on the next succeeding day which is a Business Day in such place.

1.6 Currency

Unless otherwise stated, all references in this Agreement to sums of money are expressed in lawful money of Canada.

1.7 Schedules

The following Schedules annexed to this Agreement are incorporated by reference into this Agreement and form a part hereof:

Schedule A	Plan of Reorganization
Schedule B	Form of Proposal
Schedule C	Form of PROPOSAL Approval Order

1.8 Accounting Matters

Unless otherwise stated, all accounting terms used in this Agreement shall have the meanings attributable thereto under IFRS and all determinations of an accounting nature required to be made shall be made in a manner consistent with IFRS.

1.9 Other Definitional and Interpretive Provisions

- (a) References in this Agreement to the words "include", "includes" or "including" shall be deemed to be followed by the words "without limitation" whether or not they are in fact followed by those words or words of like import.
- (b) Any capitalized terms used in any exhibit or Schedule, but not otherwise defined therein, shall have the meaning as defined in this Agreement.
- (c) References to any agreement or contract are to that agreement or contract as amended, modified or supplemented from time to time in accordance with the terms hereof and thereof. Any reference in this Agreement to a Person includes the heirs, administrators, executors, legal personal representatives, predecessors, successors and permitted assigns of that Person.
- (d) References to a particular statute or Law shall be to such statute or Law and the rules, regulations and published policies promulgated thereunder, as now in effect and as they may be promulgated thereunder or amended from time to time.

ARTICLE 2 THE PROPOSAL AND THE PLAN OF REORGANIZATION

2.1 The Plan of Reorganization and the Proposal

Subject to the terms and conditions of this Agreement, in order to facilitate the Proposal and the Plan of Reorganization, the Company and the Purchaser shall take all actions and do all things necessary or desirable, in accordance with all applicable Laws, to give effect to the Proposal and the transactions contemplated by the Plan of Reorganization.

2.2 Obligations of the Company Regarding Court Matters, Creditors' Meeting and Plan of Reorganization

Without limiting the generality of Section 2.1, the Company will:

- (a) promptly, and in any event not later than six (6) Business Days following the Bid Deadline, if the Proposal Trustee determines the Stalking Horse Proposal is the Successful Bid, file the Proposal with the official receiver, and take all actions contemplated thereby;
- (b) duly call, give notice of, convene and hold the Creditors' Meeting as promptly as practicable, and in any event within 10 to 21 days following the filing of the Proposal, in

order for Creditors to vote upon the Proposal in the manner contemplated by the Proposal and subject to any order given by the Court in respect thereof;

- (c) take all steps necessary or desirable to submit the Proposal to the Court and apply for the Proposal Approval Order as soon as practicable following approval of the Proposal by the Creditors, but in any event not later than the fifth (5th) Business Day after the date on which the Proposal is approved by the Creditors at the Creditors' Meeting; and
- (d) following receipt of the Proposal Approval Order and the satisfaction or waiver of the conditions set forth in Article 6, proceed to file the Articles of Reorganization with the Registrar and, upon receipt of the Certificate, cause the Company to effect the Share Redemption and the Share Issuance, all in accordance with Section 2.4 hereof and in the order set forth in the Plan of Reorganization.

2.3 Court Proceedings

The Company will provide the Purchaser with reasonable opportunity to review and comment upon drafts of all material to be filed with the Court in connection with the Arrangement, including by providing on a timely basis a description of any information required to be supplied by the Purchaser for inclusion in such material, prior to the service and filing of that material, and will accept the reasonable comments of the Purchaser and its legal counsel with respect to any such information required to be supplied by the Purchaser and included in such material and any other matters contained therein. The Company will ensure that all material filed with the Court in connection with the Arrangement is consistent in all material respects with the terms of this Agreement, the Proposal and the Plan of Reorganization. The Company will also provide to the Purchaser, on a timely basis, copies of any notice and evidence served on the Company or its legal counsel in respect of the application for the Proposal Approval Order or any appeal therefrom. Subject to applicable Laws, the Company will not file any material with, or make any submissions to, the Court in connection with the Arrangement or serve any such material, and will not agree to modify or amend materials so filed or served, except as contemplated hereby or with the Purchaser's prior written consent, such consent not to be unreasonably withheld or delayed; provided that nothing herein shall require the Purchaser to agree or consent to any increased purchase price or other consideration or other modification or amendment to such filed or served materials that expands or increases the Purchaser's obligations set forth in any such filed or served materials or under this Agreement where such other modification or amendment is not immaterial.

2.4 Effective Date

The Arrangement shall become effective at the Effective Time. Upon issuance of the Proposal Approval Order and subject to the satisfaction or waiver of the conditions precedent in Article 6, each of the Purchaser and the Company shall, as soon as practicable, execute and deliver such closing documents and instruments and the Company shall proceed to file the Articles of Reorganization, the Proposal Approval Order and such other documents as may be required to give effect to the Arrangement with the Registrar pursuant to section 192 of the ABCA no later than the fifth (5th) Business Day following the satisfaction or waiver of such conditions precedent (other than the conditions precedent that by their terms are to be satisfied as of the Effective Date) or such other date as agreed to in writing by the Parties, whereupon the transactions comprising the Plan of Reorganization shall occur and shall be deemed to have occurred in the order set out therein without any further act or formality.

2.5 Canadian Securities Laws

The Arrangement shall be structured and executed such that the issuance of the Issued Shares to the Purchaser under the Arrangement will not require the filing of a prospectus under Canadian Securities Laws. Each Party agrees to act in good faith, consistent with the intent of the Parties and the intended treatment of the Arrangement as set forth in this Section 2.5.

ARTICLE 3 REPRESENTATIONS AND WARRANTIES OF THE PURCHASER

3.1 Representations and Warranties

The Purchaser hereby makes the following representations and warranties and acknowledges that the Company is relying upon such representations and warranties in connection with the entering into of this Agreement and the carrying out of the Arrangement:

- (a) Organization. The Purchaser is a corporation duly incorporated, validly existing and in good standing under the Laws of the Province of Alberta and has the requisite power and authority to own its assets and properties as now owned and to carry on its business as it is now being conducted.
- (b) Qualification. The Purchaser has good right, full power and absolute authority to enter into this Agreement and to perform its obligations hereunder.
- (c) Authorization. Except for obtaining the Proposal Approval Order, the execution, delivery and performance of this Agreement has been duly and validly authorized by any and all requisite corporate, shareholders', directors' or equivalent actions and will not result in any violation of, be in conflict with, or constitute a default under, any articles, charter, bylaw or other governing document to which the Purchaser is bound.
- (d) No Conflict. The execution, delivery and performance of this Agreement will not result in any violation of, be in conflict with, or constitute a default under, any term or provision of any agreement or document to which the Purchaser is party or by which the Purchaser is bound, nor under any judgement, decree, order, statute, regulation, rule or license applicable to the Purchaser.
- (e) Validity and Binding Effect. This Agreement and any other agreements delivered in connection herewith constitute valid and binding obligations of the Purchaser and are enforceable against the Purchaser in accordance with their terms.
- (f) Legal Effect. No authorization or approval or other action by, and no notice to or filing with, any Governmental Entity or regulatory body exercising jurisdiction over the assets of the Company is required for the due execution, delivery and performance by the Purchaser of this Agreement, other than authorizations, approvals or exemptions from requirement therefor previously obtained and currently in force or to be obtained prior to or after the Effective Time.
- (g) Interim Financing Funds Available. The Purchaser has, and will at the Interim Financing Closing Date have, sufficient funds available to advance the Interim Financing.
- (h) Closing Funds Available. The Purchaser has, and will at the time of closing have, sufficient funds available to consummate the transactions contemplated by this Agreement and the Proposal.

3.2 Investigation

Any investigation by the Company and its advisors shall not mitigate, diminish or affect the representations and warranties of the Purchaser pursuant to this Agreement.

3.3 No Survival of Representations and Warranties

The representations and warranties of the Purchaser contained in this Agreement shall not survive the completion of the Arrangement and shall expire and be terminated on the earlier of the Effective Date and the date on which this Agreement is terminated in accordance with its terms.

ARTICLE 4 REPRESENTATIONS AND WARRANTIES OF THE COMPANY

4.1 Representations and Warranties of the Company

The Company hereby makes the following representations and warranties and acknowledges that the Purchaser is relying upon such representations and warranties in connection with the entering into of this Agreement and the carrying out of the Arrangement:

- (a) Authorization, Validity and Binding Effect. Subject to the SISP and receipt of the Proposal Approval Order, the Company has the right to enter into this Agreement and to complete the Arrangement, and this Agreement has been duly executed and delivered by the Company, and constitutes a legal, valid and binding obligation of the Company enforceable against it in accordance with its terms.
- (b) Subsidiaries. The Company has no Subsidiaries, nor does it own, directly or indirectly, any interests in any other corporations, joint ventures, partnerships or other entities (whether or not incorporated).
- (c) No Violations. Other than in connection with or in compliance with the provisions of the ABCA, and or other similar applicable Laws, the terms of the Proposal Approval Order in respect of the Proposal and the Arrangement, the Creditors' approval of the Proposal and the filing of the Articles of Reorganization, (i) there is no legal impediment to the Company's consummation of the Arrangement, and (ii) no filing or registration with, or authorization, consent or approval of, any domestic or foreign public body or authority is required of the Company in connection with the consummation of the Arrangement, except for such filings or registration which, if not made, or for such authorizations, consents or approvals which, if not received, would not have a Material Adverse Effect.
- (d) Tax Matters.
 - (i) The Company has made available to the Purchaser for review originals or true and complete copies of notices of assessment from the applicable tax authorities; and
 - (ii) The Company has or will furnish the Purchaser with originals or copies of all elections, designations or similar filings relating to Taxes of the Company and any agreement or other arrangement in respect of Taxes or Tax Returns of the Company that has effect for any period ending after the Effective Date.
- (e) Material Agreements. The Company has provided to the Purchaser on the date hereof a list of all of the following, complete and correct copies of which have been provided to the Purchaser prior to the date hereof: (i) all contracts, agreements, arrangements or understandings containing any rights on the part of any Person, including joint venture partners or entities, and including, specifically, the contracts, arrangements, agreements, leases and indentures referenced in Schedule "B" to the Proposal; (ii) any contract, agreement, arrangement or understanding to which the Company is a party in respect of which the applicable transaction has not yet been consummated for the acquisition or disposition of assets or securities or other equity interests of another Person; (iii) any standstill or similar contract, agreement, arrangement or understanding currently restricting

the ability of the Company to offer to purchase or purchase the assets or equity securities of another Person; (iv) all contracts, agreements, arrangements or understandings which entitle a party to rights of termination, the terms or conditions of which may or will be altered, or which entitle a party to any fee, payment, penalty or increased consideration, in each case as a result of the execution of this Agreement or the consummation of the transactions contemplated hereby; and (v) all contracts, agreements, arrangements or understandings pursuant to which the Company will, or may reasonably be expected to result in a requirement of the Company to, expend more than an aggregate of \$50,000 or receive or be entitled to receive revenue of more than an aggregate of \$50,000, in either case in the next 12 months, or is out of the ordinary course of business of the Company.

- (f) Permits. The Company has provided to the Purchaser copies of all Permits relating to the assets, business or operations of the Company. The Company has not been advised of any event occurring or circumstance existing which (with notice or lapse of time or both) may constitute or result in a violation of any such Permit except where such violation would not have a Material Adverse Effect. No proceedings are pending or threatened, which could result in the revocation or limitation of any such Permit, and all steps have been taken and filings made on a timely basis with respect to each such Permit and its renewal, except where the failure to take such steps and make such filings would not have a Material Adverse Effect.
- (g) Books and Records. The Company has provided to the Purchaser copies in their entirety of the financial books, records and accounts of the Company dating from 2019 to the present.

4.2 Investigation

Any investigation by the Purchaser and its advisors shall not mitigate, diminish or affect the representations and warranties of the Company pursuant to this Agreement.

4.3 No Survival of Representations and Warranties

The representations and warranties of the Company contained in this Agreement shall not survive the completion of the Arrangement and shall expire and be terminated on the earlier of the Effective Date and the date on which this Agreement is terminated in accordance with its terms.

ARTICLE 5 COVENANTS AND ADDITIONAL AGREEMENTS

5.1 Covenants of the Company Regarding Conduct of Business

The Company covenants and agrees that during the period from the date of this Agreement until the earlier of the Effective Time and the time that this Agreement is terminated in accordance with its terms, unless otherwise (i) consented to in writing by the Purchaser (such consent to be subject to applicable Law and not to be unreasonably withheld, conditioned or delayed); (ii) required by applicable Laws and directions by any Governmental Entity; or (iii) required or expressly permitted or specifically contemplated by this Agreement, the Plan of Reorganization, the Proposal or any order of the Court in the BIA Proceedings:

- (a) the business of the Company shall be conducted only in, and the Company shall not take any action except in, the ordinary course of business consistent with past practice, and the Company shall use all commercially reasonable efforts to maintain and preserve its business organization, assets, employees and advantageous business relationships;

- (b) other than in connection with the transactions contemplated by this Agreement, including the Arrangement, SISP and the Plan of Reorganization, the Company shall not, directly or indirectly:
- (i) amend the Company's constating documents;
 - (ii) set aside or pay any dividend or other distribution or payment in cash, shares or property in respect of its shares owned by any Person;
 - (iii) issue, grant, sell or pledge or agree to issue, grant, sell or pledge any shares of the Company, or securities convertible into or exchangeable or exercisable for, or otherwise evidencing a right to acquire, shares of the Company;
 - (iv) split, consolidate, redeem, purchase or otherwise acquire any of the outstanding shares or other securities of the Company;
 - (v) amend the terms of any of the securities of the Company;
 - (vi) other than as specifically contemplated hereby, adopt a plan of liquidation or resolutions providing for the liquidation, dissolution, merger, consolidation or reorganization of the Company; or
 - (vii) authorize, agree, resolve, commit or propose any of the foregoing, or enter into, modify or terminate any contract, agreement, commitment or arrangement with respect to any of the foregoing, except as permitted above;
- (c) the Company shall not, directly or indirectly:
- (i) sell, pledge, dispose of or encumber any assets of the Company with a value individually or in the aggregate exceeding \$10,000;
 - (ii) acquire (by merger, amalgamation, consolidation or acquisition of shares or assets) any corporation, partnership or other business organization or division thereof or make any investment either by purchase of shares or securities, contributions of capital or purchase of any property or assets of any other individual or entity with a value individually or in the aggregate exceeding \$10,000;
 - (iii) incur any indebtedness for borrowed money (except those amounts and transactions contemplated by the Interim Financing Terms) or any other liability or obligation or issue any debt securities or assume, guarantee, endorse or otherwise as an accommodation become responsible for, the obligations of any other individual or entity, or make any loans or advances;
 - (iv) extend the maturity of any indebtedness for borrowed money or any other liability or obligation;
 - (v) pay, discharge or satisfy any claims, liabilities or obligations (including any regulatory investigation) which are material to the business of the Company, other than the payment, discharge or satisfaction, in the ordinary course of business consistent with past practice, of liabilities reflected or reserved against in the Company's most recently publicly filed financial statements as of the date hereof or incurred in the ordinary course of business consistent with past practice;
 - (vi) enter into or amend any contract with a term greater than three (3) months or a value individually or in the aggregate exceeding \$10,000;

- (vii) waive, release or relinquish, or authorize or propose to do so, any financially beneficial contractual right which is material to the business of the Company, other than in the ordinary course of business consistent with past practice. For greater certainty, nothing herein shall prevent the Company from disclaiming any contracts which are uneconomic to the Company as provided in the BIA or as may be otherwise ordered by the Court;
 - (viii) waive, release, grant or transfer any rights of value or modify, amend or change any existing license, agreement, lease, contract or other document which is material to the business of the Company, other than in the ordinary course of business consistent with past practice;
 - (ix) enter into or terminate any hedges, swaps or other financial instruments or like transaction; or
 - (x) authorize, agree, resolve, commit or propose to do any of the foregoing, or enter into or modify any contract, agreement, commitment or arrangement to do any of the foregoing;
- (d) except for capital expenditures necessary to address emergencies or other urgent matters involving actual or potential loss or damage to property, or threats to human safety or the environment, the Company shall not incur or commit to capital expenditures prior to the Effective Date;
- (e) the Company shall not:
- (i) issue, award or grant any Company incentive awards or any securities or other instruments or equity-based compensation providing similar benefits;
 - (ii) except as may be required pursuant to existing employment, collective bargaining, pension, supplemental pension or termination policies or agreements, grant to any officer, director, consultant or employee an increase in compensation or benefits in any form, make any loan to any officer, director or employee or grant or increase the amount or value of any change of control, severance, separation, retention or termination pay to, or enter into any employment, change of control, severance, retention or termination agreement with, any officer, director, consultant or employee of the Company;
 - (iii) grant any general salary increases;
 - (iv) make any payment to any officer, director, consultant or employee outside of their ordinary and usual compensation for services provided; or
 - (v) enter into or modify any employment agreement with any officer, director or other employees of the Company or enter into any agreements with any consultants that are not terminable with 30 days or less notice;
- (f) the Company shall not:
- (i) adopt any additional benefit or similar plans which would be considered to be a Company employee plan once created;
 - (ii) amend or terminate any Company employee plan; or
 - (iii) enter into any collective bargaining or other union agreement;

- (g) the Company will deliver to the Purchaser, as soon as they become available, true and complete copies of any material documents, reports, communications or statements which relate to the Company and are from or required to be filed by the Company with any Governmental Entity subsequent to the date hereof. As of their respective dates, such documents, reports, communications and statements (excluding any information therein provided by the Purchaser, as to which the Company makes no representation) will not contain any Misrepresentation and will comply in all material respects with all applicable Laws;
- (h) the Company shall not:
 - (i) file any amended Tax Returns;
 - (ii) change in any material respect any of its methods of reporting income or deductions for accounting or income tax purposes from those employed in the preparation of its income tax return for the taxation year ending 2021, except as may be required by applicable Law;
 - (iii) make or revoke any material election relating to Taxes;
 - (iv) settle, compromise or agree to the entry of judgment with respect to any proceeding relating to Taxes, except for any settlement, compromise or agreement that is not material to the Company;
 - (v) file any Tax Return other than in accordance with past practice;
 - (vi) enter into any Tax sharing agreement; or
 - (vii) make a request for a Tax ruling to any Governmental Entity;
- (i) the Company shall continue to withhold from each payment to be made to any of its present or former officers, directors or employees and to all other Persons, including, without limitation, all Persons who are non-residents of Canada for the purposes of the Tax Act, all amounts that are required to be so withheld by applicable Laws and the Company shall remit such withheld amounts to the proper Governmental Entity within the times prescribed by such applicable Laws;
- (j) the Company shall not settle or compromise any claim (i) material to the Company's business, or (ii) brought by any present, former or purported holder of its securities (in such Person's capacity as such) in connection with the transactions contemplated by this Agreement or the Arrangement prior to the Effective Date, without the prior written consent or direction of the Purchaser;
- (k) the Company will make all necessary filings and applications under applicable Laws required to be made on the part of the Company in connection with the transactions contemplated herein and shall take all reasonable action necessary to be in compliance with such applicable Laws; and
- (l) the Company shall not agree, resolve, commit or undertake to do any of the matters prohibited in this Section 5.1.

Nothing in this Agreement is intended to or shall result in the Purchaser exercising material influence over the operations of the Company, particularly in relation to operations in which the Parties compete or would complete, but for this Agreement, with each other, prior to the Effective Date.

5.2 Mutual Covenants

Each of the Parties covenants and agrees that during the period from the date of this Agreement until the earlier of the Effective Date and the time that this Agreement is terminated in accordance with its terms:

- (a) subject to the terms and conditions of this Agreement (including Section 5.3), it shall use its commercially reasonable efforts to satisfy (or cause the satisfaction of) the conditions precedent to its obligations hereunder as set forth in Article 6 and to take, or cause to be taken, all other actions and to do, or cause to be done, all other things necessary, proper or advisable under and in accordance with all applicable Laws to complete and give effect to the Arrangement as soon as reasonably practicable, including using its commercially reasonable efforts to promptly:
 - (i) obtain all necessary waivers, consents and approvals required to be obtained by it from parties to loan agreements, leases and other contracts;
 - (ii) obtain all necessary exemptions, consents, approvals and authorizations as are required to be obtained by it under all applicable Laws;
 - (iii) provided funds are available, defend all lawsuits or other legal, regulatory or other proceedings against it (or if applicable, its directors or officers) challenging or affecting the Proposal or the Arrangement or this Agreement, and oppose, lift or rescind any injunction or restraining order or other order or action seeking to stop, or otherwise adversely affecting the ability of the Parties to consummate, the Arrangement;
 - (iv) fulfill all conditions and satisfy all provisions of this Agreement and the Arrangement, including delivery of the certificates of their respective officers contemplated by Section 6.2 and Section 6.3; and
 - (v) carry out the terms of any order of the Court in the BIA Proceedings and the Proposal Approval Order applicable to it and to comply promptly with all requirements imposed by applicable Laws on it with respect to this Agreement or the Plan of Reorganization;
- (b) it shall cooperate with the other Party in connection with the performance by it of its obligations under this Section 5.2, including providing regular status updates on its progress in obtaining any Regulatory Approval to the other Party as and when reasonably requested by the other Party, and permitting the other Party a reasonable opportunity to review in advance, and to provide comments on, any proposed communications of any nature with a Governmental Entity, which comments shall be considered and given due regard;
- (c) except as required by Law, it shall not engage in any meetings or communications with any Governmental Entity in relation to the Regulatory Approvals, the Proposal or the Arrangement, without counsel (if applicable) for the other Party being advised of such meetings or communications, having been given the opportunity to participate in such meetings or communications, and in any event shall immediately notify and provide copies to the other Party's counsel (if applicable) of any communications to or from a Governmental Entity in relation to the Arrangement;
- (d) it shall not deliberately take any action, refrain from taking any action or permit any action to be taken or not taken, which is inconsistent with this Agreement or which would reasonably be expected to significantly impede the consummation of the Arrangement, or

that will have, or would reasonably be expected to have, the effect of materially delaying, impairing or impeding the granting of the Regulatory Approvals;

- (e) except for non-substantive communications with Creditors, it shall furnish promptly to the other Party or its counsel, a copy of each notice, report, schedule or other document delivered, filed or received by it in connection with: (i) the Arrangement, the Plan of Reorganization and the Proposal; (ii) any filings under applicable Laws in connection with the transactions contemplated hereby; and (iii) any dealings with Governmental Entities in connection with the transactions contemplated hereby; and
- (f) it shall promptly notify the other Party in writing of any material change (actual, anticipated, contemplated or threatened, whether financial or otherwise) in its business, operations, results of operations, properties, assets, liabilities (whether absolute, accrued, contingent or otherwise) or condition (financial or otherwise), or of any material complaints, investigations or hearings (or communications indicating that the same may be contemplated) by any Governmental Entity or third party relating to the transactions contemplated hereby.

5.3 Access to Information; Confidentiality

From the date hereof until the earlier of the Effective Date and the termination of this Agreement in accordance with its terms, the Company shall, and shall cause the Company's Representatives to, subject to the SISP, and all applicable Laws and any confidentiality obligations owed by the Company to a third party or in respect of customer specific or competitively sensitive information, afford to the Purchaser and the Representatives of the Purchaser reasonable access at all reasonable times to their officers, employees, agents, properties, books, records and contracts, and shall furnish the Purchaser with all data and information as the Purchaser may reasonably request, in order to permit the Purchaser to be in a position to expeditiously and efficiently integrate the businesses and operations of the Company immediately upon but not prior to the Effective Date.

ARTICLE 6 CONDITIONS

6.1 Mutual Conditions

The respective obligations of the Parties to consummate the transactions contemplated hereby, and in particular the Arrangement and the Plan of Reorganization, are subject to the satisfaction, on or before the Effective Date or such other time specified, of the following conditions, any of which may be waived by the mutual consent of such Parties without prejudice to their right to rely on any other of such conditions:

- (a) the Proposal Trustee shall have determined that the Proposal is the "Successful Bid" in the SISP;
- (b) the Creditors shall have approved the Proposal at the Creditors' Meeting in accordance with the terms of the Proposal;
- (c) the Proposal Approval Order shall have been obtained on terms consistent with the Proposal and the Plan of Reorganization and in form and substance satisfactory to each of the Parties, acting reasonably, and shall not have been set aside or modified in a manner unacceptable to either of the Parties, acting reasonably, on appeal or otherwise;
- (d) all Regulatory Approvals required to be obtained, or that the Parties mutually agree in writing to obtain in respect of the completion of the Arrangement, and the expiry of applicable waiting periods necessary to complete the Arrangement, shall have occurred or been obtained on terms and conditions acceptable to the Parties, each acting reasonably,

and all applicable domestic and foreign statutory and regulatory waiting periods shall have expired or have been terminated and no unresolved material objection or opposition shall have been filed, initiated or made, except where the failure or failures to obtain such Regulatory Approvals, or for the applicable waiting periods to have expired or terminated, would not be reasonably expected to have a Material Adverse Effect on the Company;

- (e) no Law shall be in effect or shall have been enacted, promulgated, amended or applied by any Governmental Entity, which prevents, prohibits or makes the consummation of the Plan of Reorganization illegal or otherwise prohibits or enjoins the Purchaser or the Company from consummating the Arrangement; and
- (f) no act, action, suit, proceeding, objection, opposition, order or injunction shall have been taken, entered or promulgated by or before any Governmental Entity or by any elected or appointed public official in Canada or elsewhere or by any other Person, whether or not having the force of Law, which: (i) prevents, prohibits or makes the consummation of the Arrangement illegal or otherwise prohibits or enjoins the Purchaser or the Company from consummating the Arrangement; or (ii) enjoins or prohibits, or imposes material adverse conditions or terms on, the right of the Purchaser to own or exercise full ownership of the Voting Shares upon completion of the Arrangement or the ownership or operation of the business, or any material assets, of the Company.

6.2 Purchaser Conditions

The obligation of the Purchaser to consummate the transactions contemplated hereby, and in particular the Arrangement and the Plan of Reorganization, is subject to the satisfaction, on or before the Effective Date or such other time specified, of the following conditions:

- (a) the representations and warranties made by the Company shall be true and correct as of the date of this Agreement and the Effective Date as if made on and as of such date (except to the extent such representations and warranties speak as of an earlier date, the accuracy of which shall be determined as of such earlier date), except where the failure of such representations and warranties to be true and correct, individually or in the aggregate, would not result or would not reasonably be expected to result in a Material Adverse Change in respect of the Company (and for this purpose, any reference to "material", "Material Adverse Effect" or other concepts of materiality in such representations and warranties shall be ignored), and the Company shall have provided to the Purchaser a certificate certifying the foregoing on the Effective Date;
- (b) the Company shall have complied in all material respects with its covenants herein to be complied with by it on or prior to the Effective Time, and the Company shall have provided to the Purchaser a certificate certifying compliance with such covenants on the Effective Date; and
- (c) the Purchaser shall not have determined, acting reasonably, that the execution and delivery of this Agreement or the consummation of the Arrangement contemplated hereby or compliance by the Company with any of the provisions hereof will: (A) violate, conflict with or result in a breach of any provision of any material note, bond, mortgage, indenture, loan agreement, deed of trust, agreement, lien, contract or other instrument or obligation to which Company is a party or to which the Company, or any of its assets or properties, may be subject or by which the Company is bound; or (B) cause the suspension or revocation of any material authorization, consent, approval or license currently in effect.

The conditions set forth in this Section 6.2 are for the exclusive benefit of the Purchaser and may be asserted by the Purchaser regardless of the circumstances or may be waived in writing by the Purchaser in its sole discretion, in whole or in part, at any time and from time to time without prejudice to any other rights which the Purchaser may have.

6.3 Company Conditions

The obligation of the Company to consummate the transactions contemplated hereby, and in particular the Arrangement and the Plan of Reorganization, is subject to the satisfaction, on or before the Effective Date or such other time specified, of the following conditions:

- (a) the representations and warranties made by the Purchaser shall be true and correct as of the date of this Agreement and the Effective Date as if made on and as of such date (except to the extent such representations and warranties speak as of an earlier date, the accuracy of which shall be determined as of such earlier date), and the Purchaser shall have provided to the Company a certificate certifying the foregoing on the Effective Date; and
- (b) the Purchaser shall have complied in all material respects with its covenants herein to be complied with by it on or prior to the Effective Time, and the Purchaser shall have provided to the Company a certificate certifying compliance with such covenants on the Effective Date.

The conditions set forth in this Section 6.3 are for the exclusive benefit of the Company and may be asserted by the Company regardless of the circumstances or may be waived by the Company in its sole discretion, in whole or in part, at any time and from time to time without prejudice to any other rights which the Company may have.

6.4 Notice and Cure Provisions

Each Party shall give prompt notice to the other Party of the occurrence, or failure to occur, at any time from the date hereof until the Effective Date, of any event, state of facts, circumstance or change in circumstances (actual, anticipated, contemplated or, to the knowledge of such Party, threatened) which would, or would reasonably be expected to:

- (a) cause any of the representations or warranties of such Party contained herein to be untrue or inaccurate in any material respect at any time from the date hereof to the Effective Date (or, in the case of any representations or warranties that are not subject to materiality qualifications in respect of the conditions contained in Section 6.2(a) or Section 6.3(a), as applicable, cause any of such representations or warranties of such Party to be untrue or inaccurate in any respect); or
- (b) result in the failure to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by such Party,

and it shall, in good faith, discuss with the other Party the event, state of facts, circumstance or change in circumstances (actual, anticipated, contemplated or, to the knowledge of such Party, threatened) which is of such a nature that there may be a reasonable question as to whether notice need to be given to the other Party pursuant to this Section 6.4. The delivery of any notice pursuant to this Section 6.4 shall not limit or otherwise affect the representations, warranties, covenants, conditions or agreements of the Parties under this Agreement or any remedies available pursuant to this Agreement with respect thereto to the Party receiving that notice.

Neither Party may elect to terminate this Agreement pursuant to Section 7.1(c)(i) or Section 7.1(d)(i), as applicable, unless promptly, and in any event prior to the issuance of the Certificate by the Registrar, the Party intending to terminate this Agreement (the "**Terminating Party**") has delivered a written notice (a "**Termination Notice**") to the other Party (the "**Breaching Party**") specifying in reasonable detail all breaches of covenants, inaccuracies of representations and warranties or other matters which the Terminating Party is asserting as the basis for termination. If any Termination Notice is delivered, provided that the Breaching Party is proceeding diligently to cure any such matter and such matter is capable of being cured prior to the Outside Date to the satisfaction of the Terminating Party, acting reasonably, the Terminating Party may not exercise such termination until the earlier of (i) the expiration of a period of ten

(10) Business Days from the date of receipt of the Termination Notice by the Breaching Party, and (ii) the Outside Date, if in either case such matter has not been cured by such date. Any deliberate, willful or intentional breach shall be deemed to be incapable of being cured and upon delivery of the Termination Notice, the Terminating Party may immediately terminate this Agreement in accordance with Article 7 hereof. More than one Termination Notice may be delivered by a Party.

6.5 Frustration of Conditions

Neither the Purchaser nor the Company may rely, either as a basis for not consummating the conditions contemplated by this Agreement or terminating this Agreement and abandoning the Arrangement, on the failure of any condition set forth in Sections 6.1, 6.2 or 6.3, as the case may be, to be satisfied if such failure was primarily caused by, or resulted from, such Party's failure to perform any of its covenants or agreements under this Agreement.

6.6 Merger of Conditions

Subject to applicable Law, the conditions set out in Sections 6.1, 6.2 and 6.3 shall be conclusively deemed to have been satisfied, waived or released upon the issuance of a Certificate in respect of the Arrangement.

ARTICLE 7 TERMINATION

7.1 Termination

This Agreement may be terminated at any time prior to the Effective Date:

- (a) by mutual written agreement of the Purchaser, the Company, and the Proposal Trustee;
- (b) by either the Purchaser or the Company if:
 - (i) the Effective Time shall not have occurred on or prior to the Outside Date, except that the right to terminate this Agreement under this Section 7.1(b)(i) shall not be available to any Party whose failure to fulfill any of its covenants or obligations or whose breach of any of its representations or warranties under this Agreement has been the cause of, or resulted in, the failure of the Effective Time to occur by the Outside Date; or
 - (ii) any condition in Section 6.1 becomes incapable of being satisfied by the Outside Date, except that the right to terminate this Agreement under this Section 7.1(b)(ii) shall not be available to any Party whose failure to fulfill any of its covenants or obligations or whose breach of any of its representations or warranties under this Agreement has been the cause of, or resulted in, the failure of such condition to be satisfied;
- (c) by the Purchaser if:
 - (i) a breach of any representation or warranty or failure to perform any covenant or agreement on the part of the Company set forth in this Agreement occurs that would cause any condition in Section 6.2(a) or Section 6.2(b) not to be satisfied, and such breach or failure is incapable of being cured by the Outside Date or is not cured in accordance with the terms of Section 6.4; or
 - (ii) the Company is in breach of any of the Company's covenants or obligations in this Agreement in any material respect; or

- (d) by the Company if:
 - (i) a breach of any representation or warranty or failure to perform any covenant or agreement on the part of the Purchaser set forth in this Agreement occurs that would cause any condition in Section 6.3(a) or Section 6.3(b) not to be satisfied, and such breach or failure is incapable of being cured by the Outside Date or is not cured in accordance with the terms of Section 6.4; or
 - (ii) the Purchaser is in breach of any of the Purchaser's covenants or obligations in this Agreement in any material respect.

7.2 Effect of Termination

In the event of the termination of this Agreement pursuant to Section 7.1, this Agreement shall forthwith become void and have no further force or effect, and neither Party (nor its Representatives or shareholders) shall have any liability or further obligation to the other Party hereunder, except with respect to the provisions and obligations set forth in this Section 7.2, and Article 8, which shall survive any termination hereof; provided that, nothing contained in this Section 7.2 shall relieve either Party from liability for fraud or for any breach of any provision of this Agreement.

ARTICLE 8 GENERAL PROVISIONS

8.1 Amendment

This Agreement and the Plan of Reorganization may, at any time and from time to time before or after the holding of the Creditors' Meeting but not later than the Effective Time, be amended by mutual written agreement of the Parties, subject to the Proposal Approval Order and applicable Laws.

8.2 Further Assurances

Each Party will, from time to time and at all times after the Effective Date, without further consideration, do such further acts and deliver all such further assurances, deeds and documents as shall be reasonably required to fully perform and carry out the terms of this Agreement.

8.3 Proposal Trustee

The Purchaser acknowledges that the Proposal Trustee is acting solely in its capacity as the trustee in the BIA Proceedings, and not in its personal or corporate capacity. Under no circumstances shall the Proposal Trustee or any of its Representatives have any liability pursuant to this Agreement, or in relation to the transactions contemplated herein, in its or their personal or corporate capacity, whether such liability be in contract, tort or otherwise.

8.4 Entire Agreement

The provisions contained in any and all documents and agreements collateral hereto shall at all times be read subject to the provisions of this Agreement and, in the event of conflict, the provisions of this Agreement shall prevail. This Agreement supersedes all other agreements, documents, writings and verbal understandings between the Parties relating to the subject matter hereof and expresses the entire agreement of the Parties with respect to the subject matter hereof.

8.5 Waiver

Either Party may: (a) extend the time for the performance of any of the obligations or other acts of the other Party which, for greater certainty, shall include extending the Outside Date; (b) waive compliance with any of the other Party's agreements or the fulfillment of any conditions to its own obligations contained

herein; and (c) waive inaccuracies in any of the other Party's representations or warranties contained herein or in any document delivered by the other Party; provided, however, that any such extension or waiver shall be valid only if set forth in an instrument in writing signed on behalf of such Party and such waiver shall apply only to the specific matters identified in such instrument.

8.6 Notices

All notices and other communications given or made pursuant hereto shall be in writing and shall be deemed to have been duly given or made as of the date delivered or sent if delivered personally or sent by facsimile transmission or email, or as of the following Business Day if sent by prepaid overnight courier, to the Parties at the following addresses (or at such other addresses as shall be specified by either Party by notice to the other given in accordance with these provisions):

- (a) if to the Purchaser:

884304 Alberta Ltd.
4 Muirdield Close
Lyalta, Alberta T0J 1Y1

Attention: Scott Holmes
E-mail: sholmes@bbrosenergy.com

- (b) if to the Company:

Petrolama Energy Canada Inc.
Suite 330, 715 – 5th Avenue SW
Calgary, AB T2P 2X7

Attention: Paul Joslyn
E-mail: pjoslyn@petrolama.com

with a copy to:

Jensen Shawa Solomon Duguid Hawkes LLP
Suite 800, 304 – 8th Avenue SW
Calgary, AB T2P 1C2

Attention: Christa Nicholson QC / Angad Bedi
E-mail: nicholsonc@jssbarristers.ca / bedia@jssbarristers.ca

- (c) if to the Proposal Trustee

Alvarez and Marsal Canada Inc.
Suite 1110, 250 6th Ave SW
Calgary, AB T2P 3H7

Attention: Orest Konowalchuk / Cassie Riglin
E-mail: okonowalchuk@alvarezandmarsal.com / criglin@alvarezandmarsal.com

with a copy to:

Blake, Cassels & Graydon LLP
Suite 3500, 855 2nd St SW
Calgary, AB T2P 4J8

Attention: Kelly Bourassa/James Reid
E-mail: kelly.bourassa@blakes.com / james.reid@blakes.com

8.7 Assignment

Except as expressly permitted by the terms hereof, neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned by either of the Parties hereto without the prior written consent of the other Party.

8.8 Time of Essence

Time shall be of the essence in this Agreement.

8.9 Specific Performance

The Purchaser and the Company agree that irreparable harm would occur for which money damages would not be an adequate remedy at law in the event that any of the provisions of this Agreement were not performed by the other Party in accordance with their specific terms or were otherwise breached. It is accordingly agreed that each Party shall be entitled to an injunction or injunctions and other equitable relief to prevent breaches or threatened breaches of the provisions of this Agreement or to otherwise obtain specific performance of any such provisions, any requirement for the securing or posting of any bond in connection with the obtaining of any such injunctive or other equitable relief hereby being waived.

8.10 Governing Law

This Agreement shall be governed by and construed in accordance with the Laws of the Province of Alberta and the Laws of Canada applicable therein, and the Parties hereto irrevocably attorn to the jurisdiction of the courts of the Province of Alberta.

8.11 Severability

If any one or more of the provisions or parts thereof contained in this Agreement should be or become invalid, illegal or unenforceable in any respect in any jurisdiction, the remaining provisions or parts thereof contained herein shall be and shall be conclusively deemed to be, as to such jurisdiction, severable therefrom and:

- (a) the validity, legality or enforceability of such remaining provisions or parts thereof shall not in any way be affected or impaired by the severance of the provisions or parts thereof severed; and
- (b) the invalidity, illegality or unenforceability of any provision or part thereof contained in this Agreement in any jurisdiction shall not affect or impair such provision or part thereof or any other provisions of this Agreement in any other jurisdiction.

Upon such determination that any term or other provision is invalid, illegal or unenforceable, the Parties shall negotiate in good faith to modify this Agreement so as to effect the original intent of the Parties as closely as possible in an acceptable manner to the end that the transactions contemplated hereby are fulfilled to the fullest extent possible.

8.12 Counterparts

This Agreement may be executed by facsimile or other electronic signature and in counterparts, each of which shall be deemed an original, and all of which together constitute one and the same instrument.

[Signature page follows]

IN WITNESS WHEREOF the Parties hereto have caused this Agreement to be executed as of the date first written above by their respective officers thereunto duly authorized.

884304 ALBERTA LTD.

By: 
Per: Scott Holmes
Title: Director

PETROLAMA ENERGY CANADA INC.

By: _____
Per: Paul Joslyn
Title: Chief Financial Officer

[Petrolama Arrangement Agreement]

IN WITNESS WHEREOF the Parties hereto have caused this Agreement to be executed as of the date first written above by their respective officers thereunto duly authorized.

884304 ALBERTA LTD.

By: _____
Per: Scott Holmes
Title: Director

PETROLAMA ENERGY CANADA INC.

By:  _____
Per: Paul Joslyn
Title: Chief Financial Officer

SCHEDULE A

PLAN OF REORGANIZATION

respecting

PETROLAMA ENERGY CANADA INC.

made pursuant to

Section 192 of the *Business Corporations Act* (Alberta)

SCHEDULE A

PLAN OF REORGANIZATION UNDER SECTION 192 OF THE *BUSINESS CORPORATIONS ACT* (ALBERTA) AND RELATED TRANSACTIONS

ARTICLE 1 RELATIONSHIP TO ARRANGEMENT AGREEMENT

- 1.1 This Plan of Reorganization is made pursuant and subject to the provisions of and forms part of the Arrangement Agreement dated July 29, 2022 between the Purchaser and the Company (the "**Arrangement Agreement**").
- 1.2 Capitalized terms used but not otherwise defined in this Plan of Reorganization have the meanings ascribed to such terms in the Arrangement Agreement.
- 1.3 This Plan of Reorganization and the Arrangement, upon the filing of the Articles of Reorganization and the issuance of the Certificate, will become effective, and be binding on the Purchaser, the Company, all Company Shareholders, and all other Persons, at and after the Effective Time without any further act or formality required on the part of any Person.

ARTICLE 2 ARRANGEMENT

- 2.1 The Articles of the Company shall be amended pursuant to the Proposal Approval Order and subsection 192(2) of the ABCA by filing Articles of Reorganization under subsection 192(4) of the ABCA to effect the following amendments to the authorized share structure of the Company (i) creating an unlimited number of Voting Shares, having the terms set forth in Appendix A attached hereto; (ii) re-designating the issued and outstanding Class A Shares as fully paid and non-assessable Redeemable Shares, having the terms set forth in Appendix A attached hereto, on a one-for-one basis, without any action required on the part of the Class A Shareholders. Upon such re-designation, former holders of Class A Shares shall be removed from the register of Class A Shares and added to the register of Redeemable Shares; (iii) re-designating the issued and outstanding Class B Shares as fully paid and non-assessable Redeemable Shares, on a one-for-one basis, without any action required on the part of the Class B Shareholders. Upon such re-designation, former holders of Class B Shares shall be removed from the register of Class B Shares and added to the register of Redeemable Shares; and (iv) in addition, the authorized share structure of the Company shall be amended by cancelling the Class C Common Shares, Class D Common Shares, Class E Common Shares, and Preferred Shares in the capital of the Company of which there are no issued or outstanding shares, in their entirety.
- 2.2 Immediately following the filing of the Articles of Reorganization, the authorized share capital of the Company shall consist of two classes of shares, being Voting Shares and Redeemable Shares.
- 2.3 The Certificate shall be conclusive evidence that the Arrangement has become effective. If no Certificate is required to be issued by the Registrar pursuant to subsection 192(5) of the ABCA, the Arrangement shall become effective at the Effective Time on the date the Articles of Reorganization are filed with the Registrar pursuant to subsection 192(4) of the ABCA.
- 2.4 Holders of Redeemable Shares shall not be entitled to receive any physical certificates representing the Redeemable Shares so held. Any physical certificates issued prior to the Arrangement and representing Class A Shares or Class B Shares shall, following completion of the Arrangement, represent Redeemable Shares.

**ARTICLE 3
SHARE REDEMPTION**

- 3.1 At the Effective Time, each issued and outstanding Redeemable Share shall be redeemed and cancelled for its fair market value (such value being equal to nil) in accordance with the terms of the Redeemable Shares, without any further action required on the part of the holders of Redeemable Shares.
- 3.2 Upon completion of the Share Redemption, the holders of such Redeemable Shares shall cease to be the holders of Redeemable Shares and the names of such holders shall be removed from the register thereof.
- 3.3 For greater certainty, following the Share Redemption, holders of Redeemable Shares, being former Company Shareholders, shall no longer have any rights or entitlements to receive any consideration or property in respect of their Redeemable Shares, and any outstanding rights to acquire Class A Shares and/or Class B Shares shall be cancelled and have no effect.

**ARTICLE 4
SHARE ISSUANCE**

- 4.1 Concurrent with the Share Redemption contemplated in Article 3, the Company shall issue 10,000 Voting Shares to the Purchaser as fully paid and non-assessable Voting Shares in full repayment and satisfaction of the Interim Financing Obligations.
- 4.2 The Purchaser shall be deemed to be the legal and beneficial owner of such Issued Shares and shall be added to the register of holders of Voting Shares as the registered holder of such Issued Shares and such Issued Shares shall represent all of the outstanding voting securities issued by the Company.

**ARTICLE 5
APPOINTMENT OF DIRECTORS**

- 5.1 Immediately following the Share Redemption and the Share Issuance, the current directors of the Company shall cease to be directors and the following person shall be appointed director of the Company pursuant to subsection 192(3)(b) of the ABCA: Scott Holmes

**ARTICLE 6
OUTSTANDING CERTIFICATES**

- 6.1 In accordance with the Proposal Approval Order and upon completion of the steps set out in this Plan of Reorganization, the Company shall be authorized and directed to:
- (a) cancel all certificates or book-entry registrations, which, immediately prior to the Effective Time, represented outstanding Company Shares;
 - (b) update the Company's share registers to reflect the registrations or cancellations, as appropriate, set out in Sections 2.1, 3.2 and 4.2 hereof; and
 - (c) cause to be issued and delivered to the Purchaser a certificate representing the Issued Shares.

**ARTICLE 7
FURTHER ASSURANCES**

- 7.1 Notwithstanding that the transactions and events set out herein shall occur and shall be deemed to occur in the order set out in this Plan of Reorganization without any further act or formality,

each of the Company and the Purchaser shall make, do and execute, or cause to be made, done and executed, all such further acts, deeds, agreements, transfers, assurances, instruments or documents as may reasonably be required in order to further document or evidence any of the transactions or events set out herein.

- 7.2 From and after the completion of the steps set forth in Article 2 and Article 3 (a) this Plan of Reorganization shall take precedence and priority over any and all rights related to Company Shares; (b) the rights and obligations of the holders of Company Shares and, in each case, any respective trustee, shall be solely as provided for in this Plan of Reorganization; and (c) all actions, causes of actions, claims or proceedings (actual or contingent, and whether or not previously asserted) based on or in any way relating to Company Shares, shall be deemed to have been settled, compromised, released and determined without liability except as set forth herein.

APPENDIX A

SHARE STRUCTURE

SHARE STRUCTURE OF PETROLAMA ENERGY CANADA INC. (the "Corporation")

Under the *Business Corporations Act*, RSA 2000, c B-9 (the "Act")

The Corporation is authorized to issue an unlimited number of Voting Common Shares and an unlimited number of Redeemable Common Shares. The rights, restrictions and conditions attached to these shares are as follows:

I. VOTING COMMON SHARES

A. Voting Rights

The holders of the Voting Common Shares shall be entitled to receive notice of, attend at and vote at any meeting of the shareholders of the Corporation on the basis of one vote for each Voting Common Share held at the time of any such meeting.

B. Dividend Rights

Subject to the provisions of the Act, the holders of the Voting Common Shares shall be entitled to receive, at the discretion of the board of directors of the Corporation, and subject to the rights of any other class of shares of the Corporation, any dividend declared by the Corporation. For greater certainty, the board of directors of the Corporation may, in its sole discretion, declare a dividend on the Voting Common Shares to the exclusion of any other class of shares of the Corporation, in such proportion as the board of directors of the Corporation may determine.

C. Distribution Rights

In the event of the liquidation, dissolution, bankruptcy or winding up of the Corporation, whether voluntary or involuntary, the holders of the Voting Common Shares shall be entitled to share pro rata and in priority to all other classes of shareholders, in the remaining property of the Corporation upon liquidation, dissolution, bankruptcy, winding-up or other distribution of the assets of the Corporation.

II. REDEEMABLE COMMON SHARES

A. Voting Rights

Subject to the Act, the holders of the Redeemable Common Shares shall not be entitled to receive notice of, or to attend at, any meeting of the shareholders of the Corporation, or to vote at any such meeting.

B. Dividends

The holders of the Redeemable Common Shares shall not be entitled to receive dividends.

C. Redemption by Corporation

Subject to the Act or any order of a competent Court, the Corporation may redeem the whole or any part of the issued Redeemable Common Shares in exchange for payment to each holder thereof of the fair market value of each Redeemable Common Share, as determined by the Corporation or an order of a competent Court (the "**Redemption Price**") (less any tax required to be deducted and withheld by the Corporation), which Redemption Price may be \$nil, if so determined by the Corporation or Court, as applicable, and the holders thereof shall thereafter have no rights against the Corporation in respect thereof except to receive payment of the Redemption Price (less any tax required to be deducted and withheld by the Corporation).

D. Distribution Rights

In the event of the liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, the holders of the Redeemable Common Shares shall be entitled to receive, subject to the rights of any other class of shares of the Corporation, an amount equal to the Redemption Price of such Redeemable Common Shares (less any tax required to be deducted and withheld by the Corporation) and no more.

SCHEDULE B
FORM OF PROPOSAL

SCHEDULE B

COURT FILE NUMBER

ESTATE NUMBER

COURT OF QUEEN'S BENCH OF ALBERTA

JUDICIAL CENTRE

CALGARY

IN THE MATTER OF THE NOTICE OF INTENTION TO
MAKE A PROPOSAL UNDER SECTION 50.4(1) OF THE
BANKRUPTCY AND INSOLVENCY ACT, RSC 1985, C
B-3, AS AMENDED, OF PETROLAMA ENERGY
CANADA INC.

DOCUMENT

PROPOSAL

ADDRESS FOR SERVICE AND
CONTACT INFORMATION OF
PARTY FILING THIS DOCUMENT

Jensen Shawa Solomon Duguid Hawkes LLP
304 8 Ave SW #800
Calgary, AB T2P 1C2

Attention: Christa Nicholson QC / Angad Bedi
E-mail: nicholsonc@jssbarristers.ca /
bedia@jssbarristers.ca

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**PROPOSAL MADE UNDER DIVISION I OF PART III
OF THE *BANKRUPTCY AND INSOLVENCY ACT*, RSC 1985, c B-3**

RECITALS

- A. The Company is a corporation governed by the laws of the Province of Alberta and is insolvent.
- B. The Company commenced the BIA Proceedings under the BIA and obtained the Approval Order from the Honourable Justice K.M. Horner on August 10, 2022, which, among other things, approved the SISP including its deeming of the Stalking Horse Proposal as a Qualified Bid under the SISP, and extended the period within which the Company is required to file a proposal to its Creditors with the Official Receiver under Subsection 62(1) of the BIA by 45 days to and including October 10, 2022.
- C. Pursuant to the SISP and this Stalking Horse Proposal, the Company, with the assistance of and under the supervision of the Proposal Trustee, agreed to, among other things: (i) conduct the SISP in accordance with its terms; and (ii) in the event that the Stalking Horse Bidder is selected as the Successful Bidder, present this Stalking Horse Proposal to its Creditors.
- D. The SISP has concluded with the selection of the Stalking Horse Bidder as the Successful Bidder.

NOW THEREFORE the Company hereby proposes and presents this Stalking Horse Proposal under and pursuant to the BIA:

**ARTICLE 1
DEFINITIONS AND INTERPRETATION**

1.1 Definitions

The following capitalized terms will have the meanings set out below:

"**ABCA**" means the *Business Corporations Act* (Alberta) RSA 2000, c B-9.

"**Administration Charge**" means a charge on the Collateral created under the Approval Order in an aggregate amount not to exceed Cdn \$150,000.00 securing the Administration Obligations, as such charge may be amended by any other Order in the BIA Proceedings.

"**Administration Obligations**" means the indebtedness, liabilities, and Obligations of the Company in respect of the unpaid professional fees and disbursements of the Proposal Trustee, the Proposal Trustee's legal counsel, and the Company's legal counsel, in connection with the BIA Proceedings that were and are incurred both before and after the granting of the Approval Order.

"**Affected Claims**" means all Proven Claims.

"**Affected Creditors**" means any Creditor holding an Affected Claim.

"Applicable Law" means (a) any domestic or foreign statute, law (including common and civil law), treaty, code, ordinance, rule, regulation, restriction or by-law (zoning or otherwise); (b) any judgement, order, writ, injunction, decision, ruling, decree or award; (c) any regulatory policy, practice, guideline, or directive; or (d) any franchise, licence, qualification, authorization, consent, exemption, waiver, right, permit or other approval of any Governmental Authority, binding on or affecting the Person referred to in the context in which the term is used or binding on or affecting the property of such Person, in each case whether or not having the force of law.

"Approval Order" means the Order of the Honourable Justice K.M. Horner in the BIA Proceedings pronounced on August 10, 2022.

"Arrangement Agreement" means the Arrangement Agreement dated as of the August 2, 2022, between the Company and the Stalking Horse Bidder.

"Articles" means the articles of reorganization of the Company to be filed pursuant to Section 7.1(a) whereby the Company will amend its share terms.

"BIA" means the *Bankruptcy and Insolvency Act* (Canada), RSC 1985, c B-3.

"BIA Charges" means, collectively, the super-priority charges granted by the Court in the BIA Proceedings, including the Administration Charge, Directors' and Officers' Charge, and the Interim Lender Charge.

"BIA Proceedings" means these proceedings initiated by the Company on the Filing Date by filing a Notice of Intention to Make a Proposal pursuant to Section 50.4 the BIA.

"Business" means the business and operations carried on by the Company as at the Filing Date.

"Business Day" means each day other than a Saturday or Sunday or a statutory or civic holiday on which banks are open for business in Calgary, Alberta.

"Claim" includes any right or claim (including, without limitation, an Equity Claim) of any Person that may be asserted or made in whole or in part against the Company, whether or not asserted or made in connection with any indebtedness, liability, Obligation of any kind whatsoever, and any interest accrued thereon or costs payable in respect thereof, including without limitation, by reason of the commission of a tort (intentional or unintentional), by reason of any breach of contract or other agreement (oral or written), by reason of any breach of duty (including, without limitation, any legal, statutory, equitable or fiduciary duty) or by reason of any right of ownership of or title to property or assets or right to a trust or deemed trust (statutory, express, implied, resulting, constructive or otherwise), and whether or not any indebtedness, liability or Obligation is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, unsecured, present or future, known or unknown, by guarantee, surety or otherwise, and whether or not any right or claim is executory or anticipatory in nature including, without limitation, any right or ability of any Person to advance a claim for contribution or indemnity or otherwise with respect to any matter, action, cause or chose in action whether existing at present or commenced in the future, which indebtedness, liability or Obligation, and any interest accrued thereon or costs payable in respect thereof (i) is based in whole or in part on facts prior to the Filing Date, (ii) relates to a time period prior to the Filing Date, or (iii) is a right or claim of any kind that would be a claim provable in bankruptcy (within the meaning of Section 2 of the BIA) had the Company become bankrupt on the Filing Date.

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"**Clark**" means Brain N Clark, a party to an Investment Acknowledge dated February 1, 2021.

"**Commodities Contract**" means the Commodities Sales/Purchase Agreement dated April 11, 2019, between Petrolama Energy Canada Inc., as buyer, Lago Energy Corp., as seller, and Navitas Energy Group Ltd., as Lender, as amended by a Waiver and Amendment to Commodities Agreement dated May 18, 2021.

"**Company**" means Petrolama Energy Canada Inc.

"**Court**" means the Court of Queen's Bench of Alberta, Judicial Centre of Calgary.

"**Creditor**" means any Person holding a Claim against the Company.

"**Creditors' Meeting**" means the meeting of the Affected Creditors to be called and held pursuant to Section 51(1) of the BIA for the purpose of considering and voting upon this Stalking Horse Proposal and includes any adjournment of such meeting.

"**Deer Run**" means Deer Run Ponte Vedra LLC.

"**Directors**" means any past or present directors of the Company.

"**Directors' and Officers' Charge**" means a court-ordered charge on the Collateral created under the Approval Order, ranking second in priority subject only to the Administration Charge, in an aggregate amount not to exceed Cdn \$65,000 to secure the indebtedness, liabilities and obligations of the directors and officers of the Company that are incurred after the commencement of the BIA Proceedings.

"**Effective Time**" means 12:01 a.m. (Calgary time) on the Proposal Implementation Date or such other time on such date as the Company, the Stalking Horse Bidder and the Proposal Trustee agree in writing.

"**Encumbrance**" means any mortgage, charge, security interest, pledge, assignment, hypothecation, title retention, finance lease or trust (whether contractual, statutory, or otherwise) securing payment or performance of any Claim, or any lien, restriction, option, adverse claim, right of others or other encumbrance of any kind.

"**Equity Claim**" has the meaning ascribed to it in the BIA.

"**Equity Interest**" has the meaning ascribed to it in the BIA.

"**Existing Shareholder**" means any holder of Existing Shares.

"**Existing Shares**" includes all Equity Interests in the Company and all common shares, preferred shares and other securities (including stock options, warrants or other rights to acquire securities of any nature of the Company) in the capital of or issued by the Company and, for greater certainty, without restricting the generality of the foregoing, includes all issued and outstanding Class A Common Shares and Class B Common Shares in the capital of the Company.

"**Filing Date**" means July 27, 2022.

"**Final Certificate**" has the meaning ascribed to it in Section 9.2(f).

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"Governmental Authority" means any federal, provincial, state, local, municipal, regional, territorial, aboriginal, or other government, governmental or public department, branch, ministry, or court, domestic or foreign, including any district, agency, commission, board, arbitration panel or authority and any subdivision of any of them exercising or entitled to exercise any administrative, executive, judicial, ministerial, prerogative, legislative, regulatory, or taxing authority or power of any nature; and any quasi-governmental or private body exercising any regulatory, expropriation or taxing authority under or for the account of any of them, and any subdivision of any of them.

"Gunvor" means Gunvor USA, LLC.

"Gunvor Contract" means the Deal Confirmation dated October 28, 2020 between Petrolama Energy Canada Inc. and Gunvor, as amended on November 12, 2020.

"Gunvor Advances " means a claim for \$1,250,000 USD consisting of (i) a prepayment of \$1,050,000 USD made by Gunvor between November 13, 2020 and April 28, 2022 for certain Residue Material; and (ii) a \$200,000 USD advance to be provided by Gunvor as needed to begin production and shipment of Residue Material.

"Interim Financing Obligations" means the indebtedness, liabilities, and Obligations of the Company with respect to the debtor-in-possession interim financing facility approved by the Court pursuant to the Approval Order.

"Interim Lender Charge" means the charge created under the Approval Order securing the Interim Financing Obligations, subject to the limits set out in the Approval Order or in any other Order.

"ITA" means the *Income Tax Act* (Canada), RSC 1985, c 1 (5th Supp).

"Levy" is defined in Section 6.6.

"Lotam" means LOTAM Capital Inc., a party to an Investment Acknowledgement dated January 19, 2021

"Navitas" means Navitas Energy Group Ltd.

"Net Creditor Recovery Amounts" is defined in Section 6.6.

"New Directors" means the Person or Persons selected to serve as directors of the Company by the Stalking Horse Bidder.

"New Shares" means the Voting Common Shares of the Company authorized and issued as part of the Plan of Reorganization having the rights, restrictions and conditions set out in Schedule A of the Plan of Reorganization.

"Obligations" means any indebtedness, liabilities, and obligations, whether present, future, direct, indirect, liquidated, or contingent, whether due or accruing due or to become due, owed by the Company to any Person.

"Odyssey" means OdysseyNRG Ltd., a party to an Investment Acknowledgement dated February 1, 2021.

"Officers" means any past and present senior officers of the Company.

"Official Receiver" has the meaning ascribed thereto in the BIA.

"Order" means an order of the Court in the BIA Proceedings.

"Payees" means the all of the following: the Subsection 5.1 (a) Payees, the Subsection 5.1 (b) Payee, the Subsection 5.1 (d) Payee, the Subsection 5.1 (e) Payee, the Subsection 5.1 (f) Payee, Subsection 5.1 (g) Payee, the Subsection 5.1 (h) Payee, the Subsection 5.1 (i) Payee, and the Subsection 5.1 (j) Payee.

"Person" will be broadly interpreted and includes, without limitation: (i) a natural person, whether acting in his or her own capacity, or in his or her capacity as executor, administrator, estate trustee, trustee or personal or legal representative, and the heirs, executors, administrators, estate trustees, trustees or other personal or legal representatives of a natural person; (ii) a corporation or a company of any kind, a partnership of any kind, a sole proprietorship, a trust, a joint venture, an association, an unincorporated association, an unincorporated syndicate, an unincorporated organization or any other association, organization or entity of any kind; and (iii) a Governmental Authority.

"Petrolama Allocation" and **"Petrolama Allocations"** each have the meaning ascribed to them in Section 6.6.

"Plan of Reorganization" means the proposed plan of reorganization of the Company's share capital pursuant to Section 192 of the ABCA contemplated by the Arrangement Agreement.

"Proof of Claim" means the proof of Claim required by the BIA to be mailed to each known Creditor prior to the Creditors' Meeting.

"Proposal Approval Order" is defined in Section 9.2.

"Proposal Implementation" means the fulfillment, satisfaction or waiver of the conditions set out in Section 10.1 and the occurrence or effecting of the steps set out in Section 7.1.

"Proposal Implementation Date" means the date on which Proposal Implementation occurs.

"Proven Claim" means a Claim to the extent that such Claim is finally determined and valued in accordance with the provisions of the BIA, or an Order pronounced in the BIA Proceedings.

"Proposal Trustee" means Alvarez & Marsal Canada Inc., in its capacity as proposal trustee of the Company in the BIA Proceedings and not in its personal or corporate capacity.

"Proposal Trustee's Certificate" is defined in Section 10.3.

"Redeemable Shares" means the Redeemable Common Shares of the Company authorized and issued as part of the Plan of Reorganization having the rights, restrictions and conditions set out in Schedule A to the Plan of Reorganization.

"**Released Party**" is defined in Section 8.1.

"**Required Majority**" means the majority in number of the Affected Creditors who represent at least two-thirds in value of such Affected Creditors who actually vote on the resolution approving the Stalking Horse Proposal (in person or by proxy) at the Creditors' Meeting.

"**Residue Material**" means residue waste material from Texistepec, Mexico which is the subject of, among other things, the Commodities Contract and the Gunvor Contract.

"**SISP**" means the sale and investor solicitation process approved by the Court pursuant to the Approval Order.

"**Stalking Horse Bidder**" means 884304 Alberta Ltd.

"**Stalking Horse Proposal**" means this proposal filed by the Company pursuant to the BIA, as it may be further amended, supplemented, or restated from time to time in accordance with the terms hereof or any Order or the Court.

"**Subsection 5.1 (a) Payees**" means:

- (a) Lotam in relation to its rights pursuant to subsection 5.1 (a) of the Commodities Contract and an Investment Acknowledgement dated January 19, 2021 as more particularly described in **Schedule "B"** hereto, in that capacity, which shall be treated *pari passu* with all Subsection 5.1 (a) Payees;
- (b) Odyessy in relation to its rights pursuant to subsection 5.1 (a) of the Commodities Contract and an Investment Acknowledgement dated February 1, 2021 as more particularly described in **Schedule "B"** hereto, in that capacity; to be treated *pari passu* with all Subsection 5.1(a) Payees;
- (c) Clark in relation to his rights pursuant to subsection 5.1 (a) of the Commodities Contract as a and an Investment Acknowledgement dated February 1, 2021 as more particularly described in **Schedule "B"** hereto, in that capacity which shall be treated *pari passu* with all Subsection 5.1(a) Payees;
- (d) Deer Run in relation to a claim pursuant to subsection 5.1 (a) of the Commodities Contract and a Services Agreement made as of April 15, 2021 as more particularly described in **Schedule "B"** hereto, in that capacity which shall be treated *pari passu* with all Subsection 5.1 (a) Payees; and
- (e) All other payees under subsection 5.1 (a) of the Commodities Contract.

"**Subsection 5.1 (b) Payee**" means Navitas in relation to its rights pursuant to subsection 5.1 (b) of the Commodities Contract.

"**Subsection 5.1 (d) Payee**" means Lago in relation to its rights pursuant to subsection 5.1 (d) of the Commodities Contract.

"**Subsection 5.1 (e) Payee**" means USV in relation to its rights pursuant to subsection 5.1 (e) of the Commodities Contract and a Loan Agreement dated May 2021.

"Subsection 5.1 (f) Payee" means Lago in relation to its rights pursuant to subsection 5.1 (f) of the Commodities Contract.

"Subsection 5.1 (g) Payee" means USV in relation to its rights pursuant to subsection 5.1 (g) of the Commodities Contract and a Loan Agreement dated May 2021.

"Subsection 5.1 (h) Payee" means Navitas in relation to its rights pursuant to subsection 5.1 (h) of the Commodities Contract.

"Subsection 5.1 (i) Payee" means Lago in relation to its rights pursuant to subsection 5.1 (i) of the Commodities Contract and Loan Agreement dated May 2021.

"Subsection 5.1 (j) Payee" means Lago and Navitas in relation to their rights pursuant to subsection 5.1 (j) of the Commodities Contract.

"Successful Bid" has the meaning ascribed to it in the SISP.

"Successful Bidder" has the meaning ascribed to it in the SISP.

"USV" means U.S. Venture, Inc.

"Unaffected Claims" means:

- (i) any Claims contemplated by Section 178(1) of the BIA;
- (ii) any Claims contemplated by Section 60(1.1) of the BIA;
- (iii) the rights and claims of the Payees and Gunvor pursuant to the Gunvor Advances; and
- (iv) all other Claims that the Stalking Horse Bidder agrees in writing, with the prior written consent of the Proposal Trustee, to treat as an Unaffected Claim at or prior to the Creditors' Meeting.

"Unaffected Creditor" means any Person holding an Unaffected Claim.

"Voting Letter" shall mean the voting letter required by Subsection 51(1) of the BIA to be mailed to each known Creditor prior to the Creditors' Meeting.

1.2 Certain Rules of Interpretation

For the purposes of this Stalking Horse Proposal:

- (a) any reference in this Stalking Horse Proposal to a contract, instrument, release, indenture or other agreement or document being in a particular form or on particular terms and conditions means that such document will be substantially in such form or substantially on such terms and conditions;
- (b) any reference in this Stalking Horse Proposal to an Order or an existing document or exhibit filed or to be filed means such document or exhibit as it may have been or may be amended, modified, or supplemented;

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- (c) the division of this Stalking Horse Proposal into Articles and Sections are for convenience of reference only and do not affect the construction or interpretation of this Stalking Horse Proposal, nor are the descriptive headings of Articles and Sections intended as complete or accurate descriptions of the content thereof;
- (d) the use of words in the singular or plural, or with a particular gender, including a definition, will not limit the scope or exclude the application of any provision of this Stalking Horse Proposal to such Person (or Persons) or circumstances as the context otherwise permits;
- (e) the words "includes" and "including" and similar terms of inclusion will not, unless expressly modified by the words "only" or "solely", be construed as terms of limitation, but rather will mean "includes but is not limited to" and "including but not limited to", so that references to included matters will be regarded as illustrative without being either characterizing or exhaustive;
- (f) unless otherwise specified, all references to time herein and in any document issued pursuant hereto mean local time in Calgary, Alberta and any reference to an event occurring on a Business Day will mean prior to 5:00 p.m. (Calgary time) on such Business Day;
- (g) unless otherwise specified, time periods within or following which any payment is to be made or act is to be done will be calculated by excluding the day on which the period commences and including the day on which the period ends and by extending the period to the next succeeding Business Day if the last day of the period is not a Business Day;
- (h) unless otherwise provided, any reference to a statute or other enactment of parliament, a legislature or other Governmental Authority includes all regulations made thereunder, all amendments to or re-enactments of such statute or regulations in force from time to time, and, if applicable, any statute or regulation that supplements or supersedes such statute or regulation;
- (i) references to a specific Recital, Article or Section of this Stalking Horse Proposal will, unless something in the subject matter or context is inconsistent therewith, be construed as references to that specific Recital, Article or Section of this Stalking Horse Proposal, whereas the terms "this Stalking Horse Proposal", "hereof", "herein", "hereto", "hereunder" and similar expressions will be deemed to refer generally to this Stalking Horse Proposal and not to any particular Recital, Article, Section or other portion of this Stalking Horse Proposal and include any documents supplemental hereto; and,
- (j) the word "or" is not exclusive.

1.3 Successors and Assigns

This Stalking Horse Proposal will be binding upon and will enure to the benefit of the respective heirs, administrators, executors, legal personal representatives, successors and assigns of any Person named or referred to in this Stalking Horse Proposal.

1.4 Currency

For the purposes of this Stalking Horse Proposal, all amounts will be denominated in Canadian dollars. Any Claims or other amounts denominated in a foreign currency will be converted to Canadian dollars at the Bank of Canada exchange rate on the Filing Date.

1.5 Governing Law

This Stalking Horse Proposal will be governed by and construed in accordance with the laws of Alberta and the federal laws of Canada applicable therein. All questions as to the interpretation or application of this Stalking Horse Proposal and all proceedings taken in connection with this Stalking Horse Proposal and its provisions will be subject to the jurisdiction of the Court.

ARTICLE 2 PURPOSE AND EFFECT OF THE STALKING HORSE PROPOSAL

2.1 Purpose and Effect

The purpose and effect of this Stalking Horse Proposal is:

- (a) to enable the Company to continue conducting a portion of its Business which is economically viable as a going concern from and after the Proposal Implementation Date;
- (b) to retract and terminate all Existing Shares with no consideration to be given to Existing Shareholders;
- (c) to amend and restate the Articles to cancel and terminate all classes of Existing Shares, and to create the New Shares and Redeemable Shares and set out the rights of such New Shares and Redeemable Shares;
- (d) to assign to each Affected Creditor their pro rata share of the Net Creditor Recovery Amounts in full and final satisfaction of their respective Affected Claims; and
- (e) to effect a full, final, and irrevocable compromise, release, discharge, cancellation and bar of all Claims other than Unaffected Claims.

This Stalking Horse Proposal is put forward in the expectation that the Persons with an economic interest in the Company, when considered as a whole, will derive a greater benefit from the implementation of this Stalking Horse Proposal and the continuation of certain parts of the Business as a going concern than would result from a bankruptcy, receivership, or liquidation of the Company.

2.2 Persons Affected by this Stalking Horse Proposal

This Stalking Horse Proposal affects:

- (a) the Affected Creditors;

- (b) any Creditor having a Claim that is barred, released, and extinguished under Section 5.1; and
- (c) the Existing Shareholders through the retraction, termination, and cancellation of the Existing Shares.

2.3 Unaffected Claims

Any Unaffected Claims will be satisfied by the Company in the manner and to the extent contemplated in Section 6.2 and are therefore uncompromised by this Stalking Horse Proposal.

All liabilities of the Released Parties in respect of Unaffected Claims, other than the liability of the Company to satisfy the Unaffected Claims in the manner and to the extent contemplated in Section 6.2, will be fully, finally, irrevocably and forever compromised, released, discharged, cancelled and barred pursuant to Section 8.1.

Nothing in this Stalking Horse Proposal will affect the Company's rights and defences, both legal and equitable, with respect to any Unaffected Claims, including but not limited to, all rights with respect to legal and equitable defences or entitlements to set-offs or recoupments against such Unaffected Claims.

ARTICLE 3 CLASSIFICATION, VOTING AND RELATED MATTERS

3.1 Claims Procedure

The procedure for determining the validity, priority and quantum of all Claims will be governed by this Stalking Horse Proposal, the BIA, and any further Order in the BIA Proceedings. A Creditor will, in respect of its own Claim, have the right to seek the assistance of the Court in valuing any Claim in accordance with the BIA.

Nothing in this Stalking Horse Proposal will give or be interpreted to give any rights to any Person in respect of Claims that have been barred or extinguished pursuant to the BIA.

3.2 Filing of Proofs of Claim

In order to vote on this Stalking Horse Proposal or to receive the Net Creditor Recovery Amounts under this Stalking Horse Proposal, each Creditor shall file a Proof of Claim in accordance with the BIA and as instructed in the Voting Letter.

3.3 Allowance or Disallowance of Claims by the Proposal Trustee

Upon receipt of a completed Proof of Claim, the Proposal Trustee shall examine the Proof of Claim and shall deal with each Claim in accordance with the provisions of the BIA. The Proposal Trustee shall have the power and authority to determine the validity of all Claims made against the Company, including the validity of any security held by Persons claiming to be secured Creditors of the Company.

3.4 Claims Bar Process

Forthwith after the Creditors' Meeting, the Proposal Trustee shall give notice pursuant to Section 149 of the BIA, by registered mail, to every Person with an Affected Claim that the Proposal Trustee has notice or knowledge of, but whose Claim has not been filed or proved that if such Person does not prove its Claim within a period of thirty (30) days after the mailing of the notice, the Proposal Trustee will proceed to declare a final dividend without regard to such Person's Claim. Any Person so notified who does not provide its Claim within the said thirty (30) day period shall be barred from making a Claim in this Stalking Horse Proposal or sharing in any distribution hereunder, subject to any exceptions set out in Subsections 149(2), (3) and (4) of the BIA.

ARTICLE 4 MEETING OF CREDITORS

4.1 Creditors' Meeting

The Creditors' Meeting will be held in accordance with Division I of Part III of the BIA. The only Persons entitled to attend the Creditors' Meeting are:

- (a) the Proposal Trustee and its legal counsel;
- (b) the Affected Creditors (including the holders of proxies) with Affected Claims and their legal counsel;
- (c) the Stalking Horse Bidder and its legal counsel;
- (d) the Company and its legal counsel; and
- (e) any other Person admitted on invitation of the chair of the Creditors' Meeting.

4.2 Time and Place of Meeting

The Creditors' Meeting shall be held at a time and through the remote video conferencing service selected by the Proposal Trustee and confirmed in its notices of meeting to be sent in accordance with Directive No. 22R2 from the Office of the Superintendent of Bankruptcy Canada, unless otherwise established by the Court.

All Proofs of Claim shall be delivered in accordance with the provisions of this Stalking Horse Proposal, the BIA, Directive No. 22R2, and any Order which may be issued by the Court in respect of the procedure governing the Creditors' Meeting.

4.3 Adjournment of Meeting

The Creditors' Meeting may be adjourned in accordance with Section 52 of the BIA.

4.4 Approval of this Stalking Horse Proposal by the Affected Creditors

This Stalking Horse Proposal is to be voted on by the Affected Creditors at the Creditors' Meeting. Each Affected Creditor entitled to vote at the Creditors' Meeting will be entitled to one vote for each dollar in value of its Affected Claim for the purposes of determining a majority in value, and each Affected Creditor shall count as one vote for determining a majority in number.

In order for this Stalking Horse Proposal to be approved by the Affected Creditors, it must receive the affirmative vote of the Required Majority at the Creditors' Meeting.

4.5 Creditors with Unaffected Claims

No Unaffected Creditor in respect of an Unaffected Claim will be entitled to vote on this Stalking Horse Proposal or attend the Creditors' Meeting.

4.6 Existing Shareholders

No Existing Shareholder in respect of its Existing Shares or in respect of any Equity Claim will be entitled to vote on this Stalking Horse Proposal or to attend the Creditors' Meeting.

ARTICLE 5 RESTRUCTURING OF THE COMPANY

5.1 Release and Extinguishment of Claims

Effective upon Proposal Implementation and subject to the conditions precedent set forth in Section 10.1 being satisfied or waived, each Claim that does not constitute an Unaffected Claim shall be fully, finally, irrevocably and forever released, discharged, cancelled and extinguished. Any Person holding such a Claim shall be forever barred, estopped, restrained, and permanently stayed from asserting such a Claim against the Company.

5.2 Corporate Actions

The adoption, execution, delivery, implementation and consummation of all matters contemplated under this Stalking Horse Proposal involving corporate action of the Company will occur and be effective as of Proposal Implementation and upon filing of the Articles, and will be authorized and approved under this Stalking Horse Proposal and by the Court, where appropriate, as part of the Approval Order, in all respects and for all purposes without any requirement of further action by the Existing Shareholders or current Directors or Officers of the Company. All necessary approvals to take actions will be deemed by the granting of the Proposal Approval Order to have been obtained from the current Directors or Existing Shareholders, as applicable, including the deemed passing by any class of Existing Shareholders of any resolution or special resolution.

5.3 Treatment of Existing Shares

Effective upon Proposal Implementation and filing of the Articles, the Articles will be amended and the authorized share capital of the Company shall consist of two classes of shares, being New Shares and Redeemable Shares, having the terms set forth in Schedule A of the Plan of Reorganization. The issued and outstanding Existing Shares will be re-designated as fully paid and non-assessable Redeemable Shares, on a one-for-one basis, without any action required on the part of the Existing Shareholders. Following the re-designation, the Redeemable Shares will be deemed to be retracted and to be fully, finally, and irrevocably cancelled and extinguished for fair market value (such value being equal to nil) in accordance with the terms of the Redeemable Shares and any and all Claims of the Existing Shareholders in respect of or arising from the Existing Shares will be fully, finally, irrevocably and forever compromised, released, discharged, cancelled and barred.

5.4 Other Securities

For greater certainty, effective on Proposal Implementation, all other Equity Interests and securities of whatsoever description in the capital of the Company in existence immediately before the Proposal Implementation Date will be terminated and any Claims of any Person thereunder or arising as a result of such termination will be fully, finally, irrevocably and forever compromised, released, discharged, cancelled and barred.

5.5 Repudiation of Contracts

Effective on the Proposal Implementation Date, the Company hereby repudiates all contracts, arrangements, agreements, leases, and indentures written or oral between the Company and all Persons, including but not limited to those referenced in **Schedule "A"** hereto, and the Claims of each Person resulting or arising from the repudiation of such contracts, arrangements, agreements, leases, and indentures shall be an unsecured Claim in this Stalking Horse Proposal.

5.6 Retained Contracts

Notwithstanding Section 5.5 above, following the Proposal Implementation Date, the Company will retain, in full force and effect, such contracts, arrangements, agreements, leases and indentures as are referenced in **Schedule "B"** hereto.

ARTICLE 6 DISTRIBUTIONS

6.1 Issuance of New Shares to the Stalking Horse Bidder

On the Proposal Implementation Date, in accordance with this Stalking Horse Proposal and subject to the conditions precedent set forth in Section 10.1 being satisfied or waived, the Stalking Horse Bidder will receive 10,000 New Shares in consideration for the full and final satisfaction of the Interim Financing Obligations.

6.2 Unaffected Creditors

No Unaffected Creditor will be entitled to receive any distribution, dividend, or payment under this Stalking Horse Proposal. At or after Proposal Implementation, all Unaffected Creditors will be paid in accordance with the existing terms and conditions of their contractual arrangements with the Company or on such other terms and conditions as may be agreed to by each of the Company and the Unaffected Creditor in writing. For greater certainty: (i) nothing in this Stalking Horse Proposal will affect the rights that any Unaffected Creditor has or may have with respect to any Unaffected Claims and all such rights shall continue and be unaffected by this Stalking Horse Proposal.

6.3 Crown Priority Claims

Within six (6) months after Proposal Implementation, the Company will pay in full to Her Majesty in Right of Canada or any province any amount of a kind that could be subject to a demand under the statutory provision referred to in Section 54(2.1) of the BIA that was outstanding on the Filing Date which has not been paid by Proposal Implementation.

6.4 Existing Shareholders

No Existing Shareholder in respect of its Existing Shares will be entitled to receive any consideration under this Stalking Horse Proposal. All Claims of Existing Shareholders in respect of or arising from their Existing Shares will be fully, finally, irrevocably, and forever compromised, released, discharged, cancelled, and barred effective on Proposal Implementation.

6.5 Withholding Rights

The Company will be entitled to deduct or withhold from any amount payable to any Person under this Stalking Horse Proposal such amounts as it is required to deduct and withhold with respect to such payment under the ITA. To the extent that amounts are so withheld or deducted, such withheld or deducted amounts will be treated for all purposes under this Stalking Horse Proposal as having been paid to the Person in respect of which such deduction or withholding was made, provided that such amounts are actually remitted to the Governmental Authority to whom the Company is required to remit under the ITA.

6.6 Proposal in Respect of Affected Claims

Subject always to the terms of the Commodities Contract, after the Company provides the Residue Material to Gunvor up to the value of the Gunvor Advances in satisfaction of any claims of Gunvor for the Gunvor Advances, and after the Company pays Proceeds (as defined in the Commodities Contract) as and when they may be received from time to time to the Subsection 5.1 (a) Payees and, thereafter, to the Subsection 5.1 (b) Payee in accordance with the terms of the Commodities Contract, in full and final satisfaction of the Affected Claims:

- (a) Each Affected Creditor shall have allocated to them their pro-rata share of 50% of the first \$6,000,000 in Proceeds as and when they may be received by the Company from time to time pursuant to subsection 5.1(c) of the Commodities Contract. For greater certainty, the total recovery by all Affected Claims pursuant to this subparagraph (a) shall be up to but shall not exceed \$3,000,000.
- (b) Thereafter, following the Company making payments of Proceeds as and when they are received from time to time to the Subsection 5.1 (d) Payee, the Subsection 5.1 (e) Payee, the Subsection 5.1 (f) Payee, if applicable, and the Subsection 5.1 (g) Payee, in that order in accordance with the terms of the Commodities Contract, each Affected Creditor shall have allocated to them their pro-rata share of 50% of such Proceeds as and when they may be received by the Company from time to time pursuant to subsections 5.1 (h) and (i) of the Commodities Contract.

Thereafter, the Company will pay any remaining Proceeds to the Subsection 5.1 (j) Payee.

The allocations referred to above in subsections (a) and (b) (each a "**Petrolama Allocation**" or cumulatively, the "**Petrolama Allocations**") shall be made to the benefit of the Affected Creditors by the Company from time to time upon each receipt by the Company of any Proceeds pursuant to subsections 5.1 (c), (h) and (i) of the Commodities Contract.

Each Petrolama Allocation shall be reduced by, and subject to, the levy ("**Levy**") payable to the Office of the Superintendent in Bankruptcy in accordance with the BIA.

The funds representing the Petrolama Allocations remaining after accounting for the Levy shall be referred to as the "**Net Creditor Recovery Amounts**".

The Company shall promptly assign to each Affected Creditor its pro rata share of the Net Creditor Recovery Amounts, promptly pay to the Proposal Trustee the amount representing the Petrolama Allocations, and, every three months from the Proposal Implementation Date, the Proposal Trustee will, in accordance with the BIA:

- (a) Remit the Levy; and
- (b) Distribute the assigned Net Creditor Recovery Amounts to each Affected Creditor.

For greater certainty, under no circumstances will an Affected Creditor be entitled to receive any funds from the Company or the Proposal Trustee other than its pro-rata share of the Net Creditor Recovery Amounts;

6.7 Interest on Claims

Interest will not accrue or be paid on Affected Claims after or in respect of the period following the Filing Date.

ARTICLE 7 MECHANICS OF IMPLEMENTATION

7.1 Implementation Steps

Upon the Company completing the deliveries contemplated by Article 6, and the fulfillment, satisfaction or waiver of the conditions set out in Section 10.1, the following steps and releases to be taken and effected in implementation of this Stalking Horse Proposal will occur, and be deemed to have occurred and be taken and effected, immediately in sequence in the following order, without any further act or formality, on the Proposal Implementation Date beginning at the Effective Time:

- (a) the Articles will be amended and filed with the Alberta Registrar of Corporations as required by Section 192(4) of the ABCA, such that two classes of shares shall be authorized: New Shares and Redeemable Shares, and the Class C Common Shares Class D Common Shares, Class E Common Shares, and Preferred Shares in the capital of the Company of which there are no issued or outstanding shares shall be cancelled in their entirety;
- (b) all Existing Shares will be re-designated as fully paid and non-assessable Redeemable shares, on a one-for-one basis;
- (c) all Redeemable Shares will be redeemed, cancelled, and extinguished for their fair market value (being nil) in accordance with Section 5.3;
- (d) concurrently with Step 7.1(c), the Company will issue 10,000 New Shares to the Stalking Horse Bidder in full and final satisfaction of the Interim Financing Obligations;

- (e) all Claims that are not Unaffected Claims shall be released, barred, and extinguished in the manner provided for in Section 5.1;
- (f) the releases contained in Section 8.1 will become effective;
- (g) the New Directors will be appointed as directors of the Company in accordance with Section 192(3)(b) of the ABCA; and,
- (h) the BIA Charges will be deemed to be fully satisfied, released, and discharged (effective, in the case of the Administration Charge, on the filing by the Proposal Trustee of the certificate under Section 9.2(h)).

Upon the completion of the sequential steps referred to in this Section 7.1 and upon issuance by the Alberta Registrar of Corporations of a certificate of amendment in respect of the Articles, the Company will forthwith deliver a copy of such certificate to the Proposal Trustee.

ARTICLE 8 RELEASES

8.1 Releases

Effective on Proposal Implementation in accordance with Section 7.1, each of the Company, the Stalking Horse Bidder, and the Proposal Trustee together with their respective advisors, counsel, agents, Officers, Directors, and assigns (each, a "**Released Party**") shall be released and discharged from any and all demands, Claims, actions, causes of action, counterclaims, suits, debts, sums of money, accounts, covenants, damages, judgments, orders (including for injunctive relief or specific performance and any compliance orders), expenses, executions, attachments, garnishments, Encumbrances and other recoveries on account of any liability, Obligation, demand or cause of action of whatsoever nature which any Creditor or other Person may be entitled to assert, including any Claims, whether known or unknown, matured or unmatured, foreseen or unforeseen, existing or hereafter arising, in each of the foregoing cases based in whole or in part on any act or omission, transaction, duty, responsibility, indebtedness, liability, Obligation, dealing or other occurrence existing or taking place on or prior to Proposal Implementation in any way relating to, arising out of or in connection with any Claims, the arrangement, compromise and restructuring contemplated in this Stalking Horse Proposal, the Business, the administration of this Stalking Horse Proposal or the BIA Proceedings, and all Claims arising out of such actions or omissions will be forever waived and released, all to the full extent permitted by Applicable Law, provided that nothing in this Stalking Horse Proposal shall release or discharge:

- (a) the Company from any Unaffected Claims or any Obligation to any Person created by this Stalking Horse Proposal; or,
- (b) a Released Party from any criminal or fraudulent misconduct; or,
- (c) solely as it pertains to any Released Party who is a Director or Officer, any Claim that relates to contractual rights of one or more Creditors or are based on allegations of misrepresentation made by any Director or Officer to Creditors or wrongful or oppressive conduct by such Directors or Officers.

**ARTICLE 9
COURT APPROVAL**

9.1 Application for the Proposal Approval Order

If the Required Majority approves this Stalking Horse Proposal, the Proposal Trustee will promptly apply for the Proposal Approval Order.

9.2 Proposal Approval Order

The Order of the Court approving this Stalking Horse Proposal (the "**Proposal Approval Order**"), substantially in the form attached as **Schedule "C"** to this Stalking Horse Proposal, will be made pursuant to the BIA and the ABCA and will, among other things:

- (a) declare that this Stalking Horse Proposal is fair and reasonable and the Successful Bid;
- (b) declare that as of the Proposal Implementation Date, this Stalking Horse Proposal and all associated steps, transactions, arrangements, assignments, releases, and reorganizations effected hereby are approved, binding and effective as herein set out upon the Company, all Affected Creditors, all Unaffected Creditors, the Existing Shareholders and all other Persons and parties affected by this Stalking Horse Proposal;
- (c) declare that the steps to occur, be taken and be effected, and the releases to be effected, on Proposal Implementation are deemed to occur, be taken and effected, and be effective in the sequential order contemplated by Section 7.1 on the Proposal Implementation Date, beginning at the Effective Time;
- (d) declare that all Obligations and agreements listed in **Schedule "B"** will be and remain in full force and effect, unamended, as at Proposal Implementation Date, and no party to any such Obligation or agreement will, on or following the Proposal Implementation Date, accelerate, terminate, refuse to renew, rescind, refuse to perform or otherwise repudiate its Obligations thereunder, or enforce or exercise (or purport to enforce or exercise) any right or remedy under or in respect of any such Obligation, agreement or lease, by reason:
 - (i) of any event which occurred prior to, and not continuing after, the Proposal Implementation Date or which is or continues to be suspended or waived under this Stalking Horse Proposal, which would have entitled any other party thereto to enforce those rights or remedies;
 - (ii) that the Company has sought or obtained relief or has taken steps as part of this Stalking Horse Proposal or under the BIA or ABCA;
 - (iii) of any default or event of default arising as a result of the financial condition or insolvency of the Company;
 - (iv) of the effect upon the Company of the completion of any of the transactions contemplated under this Stalking Horse Proposal; or

- (v) of any restructurings or reorganizations effected pursuant to this Stalking Horse Proposal;
- (e) declare that all Claims (other than Unaffected Claims) are forever barred and extinguished, the Company is discharged and released from any and all Claims of any nature or kind in accordance with this Stalking Horse Proposal, the ability of any Person to proceed against the Company in respect of or relating to any Claims (other than Unaffected Claims) is forever discharged and restrained and all proceedings with respect to, in connection with or relating to such Claims are permanently stayed, subject only to the rights of the Affected Creditors and Unaffected Creditors as provided for in this Stalking Horse Proposal, provided that nothing shall release or discharge (a) the Company from any Obligation owed to any Person pursuant to this Stalking Horse Proposal, or (b) a Released Party from any criminal or fraudulent conduct;
- (f) stay, suspend and forever extinguish the commencing, taking, applying for or issuing or continuing any and all steps or proceedings, including administrative hearings and orders, declarations or assessments, commenced, taken or proceeded with or that may be commenced, taken or proceeded with against any Released Party in respect of all Claims and any other matter released pursuant to Section 8.1;
- (g) authorize and direct the Proposal Trustee and the Company to perform their respective functions and fulfil their respective Obligations and duties as applicable under this Stalking Horse Proposal to facilitate the implementation of this Stalking Horse Proposal;
- (h) declare that upon completion by the Proposal Trustee of its duties in respect of the Company pursuant to the BIA and the Orders, the Proposal Trustee may file with the Court the Proposal Trustee's Certificate, stating that all of its duties in respect of the Company pursuant to the BIA and the Orders have been completed and thereupon, without further Order of the Court, the Proposal Trustee will be discharged from its duties as Proposal Trustee of the Company and the Administration Charge will be terminated and released; and
- (i) declare that the Company, the Proposal Trustee, the Affected Creditors, or any other interested Person may apply to the Court for advice and direction in respect of any matter arising from or under this Stalking Horse Proposal.

ARTICLE 10 CONDITIONS TO PROPOSAL IMPLEMENTATION

10.1 Conditions to Proposal Implementation

Proposal Implementation will be conditional upon the fulfillment, satisfaction, or waiver (in accordance with Section 10.2) of the following conditions:

- (a) this Stalking Horse Proposal will have been approved by the Required Majority of Affected Creditors;

- (b) the Court will have granted the Proposal Approval Order, the operation and effect of which will not have been stayed, reversed or amended, and all applicable appeal periods in respect of the Proposal Approval Order will have expired and in the event of an appeal or application for leave to appeal, final determination of such appeal or such application for leave to appeal upholding the Proposal Approval Order will have been made by the applicable appellate Court; and,
- (c) all regulatory approvals, consents, waivers, and filings that are required in respect of this Stalking Horse Proposal shall have been obtained, approved, or granted.

10.2 Waiver

The Stalking Horse Bidder may at any time waive in writing the fulfillment or satisfaction, in whole or in part, of any one or more of the conditions set out in Section 10.1 (b) and (c).

10.3 Proposal Trustee's Certificate of Proposal Implementation

Upon the delivery of written notice from the Company of the satisfaction, fulfillment or waiver of the conditions set out in Section 10.1, and the completion of the steps, deliveries and filings set out in Section 7.1, the Proposal Trustee will deliver to the Company a certificate stating that Proposal Implementation has occurred and that this Stalking Horse Proposal and the Proposal Approval Order are effective in accordance with their respective terms (the "**Proposal Trustee's Certificate**"). Following the Proposal Implementation Date, the Proposal Trustee will file the Proposal Trustee's Certificate with the Court and will deliver copies thereof to the Affected Creditors.

ARTICLE 11 GENERAL

11.1 Binding Effect

At the Effective Time:

- (a) this Stalking Horse Proposal will become effective;
- (b) the treatment of Affected Creditors and Existing Shareholders under this Stalking Horse Proposal will be final and binding for all purposes and enure to the benefit of the Company, all Affected Creditors, all Released Parties and all other Persons and parties named or referred to in, or subject to, this Stalking Horse Proposal and their respective heirs, executors, administrators and other legal representatives, successors, and assigns;
- (c) each Affected Creditor will be deemed to have consented and agreed to all of the provisions of this Stalking Horse Proposal in its entirety;
- (d) all Claims that are not Affected Claims or Unaffected Claims shall be conclusively barred and extinguished; and,

- (e) each Creditor will be deemed to have executed and delivered to the Company all consents, releases, assignments, and waivers, statutory or otherwise, required to implement and carry out this Stalking Horse Proposal in its entirety.

11.2 Waiver of Defaults

From and after the Proposal Implementation Date, all Persons will be deemed to have waived any and all defaults or events of default of the Company then existing or previously committed by the Company, or caused by the Company, any of the provisions in this Stalking Horse Proposal or steps contemplated in this Stalking Horse Proposal, or non-compliance with any covenant, warranty, representation, term, provision, condition or Obligation, expressed or implied, in any contract, instrument, credit document, lease, guarantee, agreement for sale or other agreement, written or oral, and any and all amendments or supplements thereto, existing between such Person and the Company and any and all notices of default and demands for payment or any step or proceeding taken or commenced in connection therewith under any such agreement will be deemed to have been rescinded and of no further force or effect, provided that nothing will be deemed to excuse the Company from performing its Obligations and duties under this Stalking Horse Proposal or be a waiver of defaults by the Company under this Stalking Horse Proposal and the related documents. This Section does not affect the rights of any Person to pursue any recoveries for a Claim that may be obtained from a guarantor (other than the Company) and any security granted by such guarantor.

11.3 Deeming Provisions

In this Stalking Horse Proposal, the deeming provisions are not rebuttable and are conclusive and irrevocable.

11.4 Non-Consummation

If Proposal Implementation does not occur by November 30, 2022 or such later period as agreed to in writing by the Company, the Stalking Horse Bidder, and the Proposal Trustee, (a) this Stalking Horse Proposal will be null and void in all respects, and (b) nothing contained in this Stalking Horse Proposal, and no acts taken in preparation for consummation of this Stalking Horse Proposal, will (i) constitute or be deemed to constitute a waiver or release of any Claims by or against the Company or any other Person; (ii) prejudice in any manner the rights of the Company or any other Person in any further proceedings involving the Company; or, (iii) constitute an admission of any sort by the Company or any other Person.

11.5 Modification of Stalking Horse Proposal

- (a) The Stalking Horse Bidder and Company may at any time and from time to time, amend, restate, modify and/or supplement this Stalking Horse Proposal, with the prior consent of the Proposal Trustee and, if the amendment, restatement, modification or supplement is adverse to the financial or economic interests of the Affected Creditors, with the prior consent of the Required Majority of the Affected Creditors, provided that any such amendment, restatement, modification or supplement must be contained in a written document which is filed with the Court and (i) if made prior to the Creditors' Meeting, communicated to the Affected Creditors in the manner required by the Court (if so required); and (ii) if made

following the Creditors' Meeting, approved by the Court on notice to the Affected Creditors.

- (b) Notwithstanding Section 11.5(a), any amendment, restatement, modification or supplement may be made by the Stalking Horse Bidder and Company with the prior consent of the Proposal Trustee, and pursuant to an Order following the making of the Proposal Approval Order, if such amendment, restatement, modification or supplement concerns a matter which, in the opinion of the Company, the Stalking Horse Bidder and the Proposal Trustee is of an administrative nature required to better give effect to Proposal Implementation and the Proposal Approval Order, or is required in order to cure any errors, omissions or ambiguities and is not adverse to the financial or economic interests of the Affected Creditors.
- (c) Any amended, restated, modified or supplementary proposal or plans of arrangement and reorganization filed with the Court and, if required by this Section, approved by the Court with the prior consent of the Stalking Horse Bidder, the Proposal Trustee (and, if necessary, in accordance with this Section, the Affected Creditors), will, for all purposes, be and be deemed to be a part of and incorporated into this Stalking Horse Proposal.

11.6 Severability of Stalking Horse Proposal Provisions

If, prior to the Proposal Implementation Date, any term or provision of this Stalking Horse Proposal is held by the Court to be invalid, void or unenforceable, then, at the request of the Company and subject to the prior consent of the Stalking Horse Bidder and the Proposal Trustee, acting reasonably, it is expressly acknowledged that the Court will have the power to either (a) sever such term or provision from the balance of this Stalking Horse Proposal and provide the Company, the Stalking Horse Bidder and the Required Majority of the Affected Creditors (to the extent such severance may adversely affect the Affected Creditors) with the option to proceed with the implementation of the balance of this Stalking Horse Proposal as of and with effect from the Proposal Implementation Date, or (b) alter and interpret such term or provision to make it valid or enforceable to the maximum extent practicable, consistent with the original purpose of the term or provision held to be invalid, void or unenforceable, and such term or provision will then be applicable as altered or interpreted, provided that the Stalking Horse Bidder and the Required Majority of Affected Creditors (to the extent such alteration or interpretation may adversely affect the Affected Creditors) have approved such alteration or interpretation, acting reasonably. Notwithstanding any such holding, alteration, or interpretation, and provided that the Company proceeds with the implementation of this Stalking Horse Proposal, the remainder of the terms and provisions of this Stalking Horse Proposal will remain in full force and effect and will in no way be affected, impaired, or invalidated by such holding, alteration, or interpretation.

11.7 Responsibilities of the Proposal Trustee

Alvarez & Marsal Canada Inc. is acting solely in its capacity as Proposal Trustee in the BIA Proceedings and this Stalking Horse Proposal with respect to the Company and not in its personal or corporate capacity. Alvarez & Marsal Canada Inc. is not and will not be responsible or liable for any Claims against, or Obligations of, the Company.

The Affected Creditors may appoint one or more inspectors of the estate of the Company in accordance with Section 56 of the BIA.

11.8 Notices

Any notice or other communication to be delivered hereunder must be in writing and refer to this Stalking Horse Proposal and may, subject as hereinafter provided, be made or given by personal delivery, registered mail or e-mail addressed to the recipient(s) as follows:

(a) If to the Company:

PetroLama Energy Canada Inc.
Suite 330, 715 – 5th Avenue SW
Calgary, AB, T2P 2X7

Attention: Paul Joslyn
E-mail: pjoslyn@petrolama.com

with a copy to:

Jensen Shawa Solomon Duguid Hawkes LLP
Suite 800, 304 8 Ave SW
Calgary, AB T2P 1C2

Attention: Christa Nicholson QC /Angad Bedi
E-mail: nicholsonc@jssbarristers.ca / bedia@jssbarristers.ca

(b) If to the Proposal Trustee:

Alvarez and Marsal Canada Inc.
Suite 1110, 250 6th Ave SW
Calgary, AB T2P 3H7

Attention: Orest Konowalchuk / Cassie Riglin
E-mail: okonowalchuk@alvarezandmarsal.com /
criglin@alvarezandmarsal.com

with a copy to:

Blake, Cassels & Graydon LLP
Suite 3500, 855 2nd St SW
Calgary, AB T2P 4J8

Attention: Kelly Bourassa/James Reid
Email: kelly.bourassa@blakes.com / james.reid@blakes.com

(c) If to the Stalking Horse Bidder

884304 Alberta Ltd.

4 Muirfield Close
Lyalta, AB T0J 1Y1

Attention: Scott Holmes
E-mail: sholmes@bbrosenergy.com

or to such other address as any such party may from time to time notify the others in accordance with this Section. Any such communication so given or made will be deemed to have been given or made and to have been received on the day of delivery if delivered, or on the day of e-mail or sending by other means of recorded electronic communication, provided that such day in either event is a Business Day and the communication is so delivered, e-mailed or sent before 5:00 p.m. (Calgary time) on such day. Otherwise, such communication will be deemed to have been given and made and to have been received on the next following Business Day.

11.9 Paramountcy

From and after the Effective Time on the Proposal Implementation Date, any conflict between this Stalking Horse Proposal and the covenants, warranties, representations, terms, conditions, provisions or Obligations, express or implied, of any contract, mortgage, security agreement, indenture, note, loan agreement, commitment letter, agreement for sale, lease or other agreement, written or oral, and any and all amendments or supplements thereto existing between any Person and the Company as at the Proposal Implementation Date, will be deemed to be governed by the terms, conditions and provisions of this Stalking Horse Proposal and the Proposal Approval Order, which will take precedence and priority.

11.10 Further Assurances

Each of the Persons named or referred to in, or subject to, this Stalking Horse Proposal will execute and deliver all such documents and instruments and do all such acts and things as may be necessary or desirable to carry out the full intent and meaning of this Stalking Horse Proposal and to give effect to the transactions contemplated herein.

DATED as of the [●] day of [●], 2022.

Schedule "A"

Contracts to be Repudiated

Terminal Services Agreement by and between Phillips 66 Gulf Coast Property LLC and Petrolama Energy Canada Inc. for terminal services in Nederland, Texas made and entered into as of August 20, 2018.

Crude Oil Storage Agreement made effective as of May 14, 2018 by and between Keyera Energy Inc., as operator and Petrolama Energy Canada Inc.

Crude Oil Storage Agreement made effective as of May 15, 2018 by and between Keyera Energy Inc., as operator and Petrolama Energy Canada Inc.

Schedule "B"

Retained Contracts

Commodities Sales/Purchase Agreement dated April 19, 2019, between the Petrolama Energy Canada Inc., as buyer, Lago Energy Corp., as seller, and Navitas Energy Group Ltd., as Lender, as amended by a Waiver and Amendment to Commodities Agreement dated May 18, 2021.
Marketing Incentive Agreement dated April 11, 2019 between Petrolama Energy Canada Inc. and Navitas Energy Group Ltd.
Deal Confirmation dated October 28, 2020 between Petrolama Energy Canada Inc. and Gunvor USA, LLC., as amended on November 12, 2020.
Investment Acknowledgement dated January 19, 2021 between Navitas Energy Group Ltd., Petrolama Energy Canada Inc., and LOTAM Capital Inc.
Investment Acknowledgement dated February 1, 2021 between Navitas Energy Group Ltd., Petrolama Energy Canada Inc., and Brian N Clark.
Investment Acknowledgement dated February 1, 2021 between Navitas Energy Group Ltd., Petrolama Energy Canada Inc., and OdysseyNRG Ltd.
Loan Agreement dated May 2021 between Petrolama Energy Canada Inc., as Company, and U.S. Venture Inc., as Lender.
Services Agreement made as of April 15, 2021 between Petrolama Energy Canada Inc. and 266 Deer Run Ponte Vedra LLC.

Schedule "C"

Form of Proposal Approval Order

SCHEDULE C

FORM OF PROPOSAL APPROVAL ORDER

SCHEDULE C

ESTATE NUMBER

COURT

COURT OF QUEEN'S BENCH OF ALBERTA

JUDICIAL CENTRE

CALGARY

IN THE MATTER OF THE *BANKRUPTCY AND
INSOLVENCY ACT*, RSC 1985, c B-3AND IN THE MATTER OF THE PROPOSAL OF
PETROLAMA ENERGY CANADA INC.AND IN THE MATTER OF THE PLAN OF
REORGANIZATION PURSUANT TO THE *BUSINESS
CORPORATIONS ACT*, RSA 2000, c B-9

DOCUMENT

ORDER (Proposal and Plan Sanction)ADDRESS FOR SERVICE AND
CONTACT INFORMATION OF
PARTY FILING THIS DOCUMENTJensen Shawa Solomon Duguid Hawkes LLP
Suite 800, 304 – 8th Avenue SW
Calgary, AB T2P 1C2

Attention: Christa Nicholson QC / Angad Bedi

Telephone: (403) 571-1053 / (403) 571-1524

Fax: (403) 571-1528

E-mail: nicholsonc@jssbarristers.ca /
bedia@jssbarristers.ca**DATE ON WHICH ORDER WAS PRONOUNCED:**

[●], 2022

LOCATION WHERE ORDER WAS PRONOUNCED:

Calgary Courts Centre

NAME OF JUSTICE WHO MADE THIS ORDER:

The Honourable Justice [●]

UPON THE APPLICATION by Petrolama Energy Canada Inc. ("**Petrolama**" or the "**Company**") for an order approving its Stalking Horse Proposal filed with the Official Receiver on [●], 2022 (the "**Proposal**") and the Plan of Reorganization (the "**Plan**") contemplated therein;

AND UPON having been advised that the Proposal was presented to the Affected Creditors at the meeting of creditors held on [●], 2022, and was approved by the requisite majority of Affected Creditors with Affected Claims, either in person or by proxy or voting letter;

AND UPON having read the Proposal, the Affidavit of [●] sworn [●], 2022, filed, the report of Alvarez & Marsal Canada Inc., in its capacity as proposal trustee of Petrolama in the BIA Proceedings (the "**Proposal Trustee**"), and not in its personal or corporate capacity, dated [●], 2022, filed, and the Affidavit of Service of [●] sworn [●], 2022, filed;

AND UPON being satisfied that the Company has complied with the statutory requirements of Part III, Division 1 of the *Bankruptcy and Insolvency Act*, RSC 1985, c B-3 ("**BIA**");

AND UPON HEARING the submissions of counsel for the Company, the Proposal Trustee, the purchaser, 884304 Alberta Ltd., or its nominee ("**Purchaser**"), and any other counsel in attendance at the hearing of the Application;

IT IS HEREBY ORDERED AND DECLARED THAT:

DEFINITIONS

1. The capitalized terms used herein, including in the preamble, and not otherwise defined shall have the meanings attributed to them in the Proposal, attached hereto as Schedule "A".

SERVICE

2. The time for service of the Application for this Order is hereby abridged and service of notice of this Application and supporting materials is hereby declared good and sufficient on all Affected Creditors, and no other Person is required to have been served with notice of this Application.

SANCTION AND IMPLEMENTATION OF THE PROPOSAL AND THE PLAN

3. The Proposal is the Successful Bid.
4. The Proposal is fair and reasonable and calculated for the benefit of the general body of creditors and is hereby finally and absolutely sanctioned and approved pursuant to the provisions of the BIA.
5. The arrangement forming part of the Plan is a reorganization as contemplated by section 192 of the *Business Corporations Act*, RSA 2000, c B-9 (the "**ABCA**").
6. The Proposal and the Plan be and are hereby sanctioned and approved.
7. The Company is authorized and directed to take all actions necessary or appropriate to enter into, implement, and consummate the Proposal including, without limitation, completing the Plan.
8. The Proposal Trustee and Company are hereby authorized and directed to take all actions necessary or appropriate to perform their respective functions and fulfil their respective

Obligations and duties as applicable under the Proposal to facilitate the implementation of the Proposal.

9. As of the Proposal Implementation Date, the Proposal and all associated steps, transactions, arrangements, assignments, releases and reorganizations effected as set out therein are hereby approved, binding, and effective upon Petrolama, all Affected Creditors, all Unaffected Creditors, the Existing Shareholders and all other Persons and parties affected by the Proposal.
10. The steps to occur, be taken and be effected, and the releases to be effected, on Proposal Implementation are deemed to occur, be taken and effected, and be effective in the sequential order contemplated by Section 7.1 on Proposal Implementation, beginning at the Effective Time.
11. Scott Holmes will be appointed as director of Petrolama in accordance with Section 192(3)(b) of the ABCA.
12. The Directors' and Officers' Charge, and the Interim Lender Charge are hereby fully satisfied, released, and discharged.
13. Upon completion by the Proposal Trustee of its duties in respect of the Company pursuant to the BIA and the Orders, the Proposal Trustee may file with the Court the Proposal Trustee's Certificate, stating that all of its duties in respect of the Company pursuant to the BIA and the Orders have been completed and thereupon, without further Order of the Court, the Proposal Trustee will be discharged from its duties as Proposal Trustee of the Company and the Administration Charge will be terminated and released.
14. The Proposal, any payments or distributions made in connection with the Proposal, and the transactions contemplated by and to be implemented pursuant to the Proposal shall not be void or voidable under federal or provincial law and shall not constitute and shall not be deemed to be settlements, fraudulent preferences, assignments, fraudulent conveyances, transfers at undervalue, or other reviewable transactions under any applicable federal or provincial legislation relating to preferences, settlements, assignments, fraudulent conveyances or transfers at undervalue.
15. Any and all security interests (whether contractual, statutory, or otherwise), hypothecs, caveats, mortgages, trusts or deemed trusts (whether contractual, statutory, or otherwise), liens, executions, levies, charges, or other financial or monetary claims, whether or not they have

attached or been perfected, registered or filed and whether secured, unsecured or otherwise in favour of any Creditor, other than Unaffected Creditors, or which any Creditor, other than an Unaffected Creditor, holds by way of subrogation are terminated and discharged, and any registrar of any personal property security registry or any real property registry is hereby authorized and directed to discharge any such encumbrance.

CONTINUATION OF OBLIGATIONS AND AGREEMENTS

16. All Obligations and agreements listed in Schedule "B" to the Proposal will be and remain in full force and effect, unamended, as at the Proposal Implementation Date, and no party to any such obligation or agreement will, on or following the Proposal Implementation Date, accelerate, terminate, refuse to renew, rescind, refuse to perform or otherwise repudiate its obligations thereunder, or enforce or exercise (or purport to enforce or exercise) any right or remedy under or in respect of any such obligation, agreement or lease, by reason:
- (a) of any event which occurred prior to, and not continuing after, Proposal Implementation Date or which is or continues to be suspended or waived under the Proposal, which would have entitled any other party thereto to enforce those rights or remedies;
 - (b) that the Company has sought or obtained relief or has taken steps as part of the Proposal or under the BIA or ABCA;
 - (c) of any default or event of default arising as a result of the financial condition or insolvency of Petrolama;
 - (d) of the effect upon Petrolama of the completion of any of the transactions contemplated under the Proposal; or
 - (e) of any restructurings, reorganizations or amendments effected pursuant to the Proposal .

NO DEFAULT

17. From and after the Proposal Implementation Date, all Persons shall be deemed to have waived any and all defaults or events of default, third party change of control rights, other contractual rights, or any non-compliance with any covenant, warranty, representation, term, provision, condition or obligation, express or implied, in any contract, instrument, construction, ownership and operating agreement, joint operating agreement, credit document, lease, licence, guarantee, agreement for sale or other agreement, written or oral, in each case relating to,

arising out of, or in connection with the BIA Proceedings, the Plan, the Proposal, the Arrangement Agreement and the transactions contemplated thereby and any proceedings commenced with respect to or in connection with the Proposal, including any order, and any and all amendments or supplements thereto. Any and all notices of default and demands for payment or any step or proceeding taken or commenced in connection with any of the foregoing shall be deemed to have been rescinded and of no further force or effect, provided that nothing shall be deemed to excuse the Petrolama from performing its obligations under the Proposal.

RELEASES

18. On the Implementation Date and in the sequence set forth in the Proposal, the releases referred to in Section 8.1 of the Proposal shall be binding and effective as set out in the Proposal.
19. Without limiting anything in the Proposal, all Claims (other than Unaffected Claims) are forever barred and extinguished, the Company is discharged and released from any and all Claims of any nature or kind in accordance with the Proposal, the ability of any Person to proceed against the Company in respect of or relating to any Claims (other than Unaffected Claims) is forever discharged and restrained and all proceedings with respect to, in connection with or relating to such Claims are permanently stayed, subject only to the rights of the Affected Creditors and Unaffected Creditors as provided for in the Proposal, provided that nothing shall release or discharge (a) the Company from any Obligation owed to any Person pursuant to the Proposal, or (b) a Released Party from any criminal or fraudulent conduct.
20. The right to commence, take, apply for, issue or continue any and all steps or proceedings, including administrative hearings and orders, declarations or assessments commenced, taken or proceeded with or that may be commenced, taken or proceeded with against any Released Parties that are released in respect of all Claims and any other matter released pursuant to Section 8.1 and paragraph 19 hereof and the Plan are hereby stayed, suspended and forever extinguished.

ORDER FOR REORGANIZATION

21. This Order constitutes an order for reorganization pursuant to section 192 of the ABCA.

GENERAL

22. The Company, the Proposal Trustee, the Affected Creditors, or any other interested Person may apply to the Court for advice and direction in respect of any matter arising from or under the Proposal
23. Once no further Levy is payable, the Proposal Trustee will file with the Court a Final Certificate stating that the Levy has been fully paid it is therefore fully discharged from its duties as Proposal Trustee.
24. This Court hereby requests the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States to give effect to this Order and to assist the Company, the Proposal Trustee and their respective agents in carrying out the terms of this Order. All courts, tribunals regulatory and administrative bodies are hereby respectfully requested to make such orders as to provide such assistance to the Proposal Trustee, as an officer of this Court, as may be necessary or desirable to give effect to this Order or to assist the Proposal Trustee and its agents in carrying out the terms of this Order.

SERVICE

25. Service of this Order shall be good and sufficient on all Persons affected by the Proposal, including, without limitation, all Creditors, by:
 - (a) delivery of this Order to all Persons appearing at the Application by e-mail, facsimile, courier, registered mail or personal delivery; and
 - (b) posting of this Order on the website established by the Proposal Trustee in the BIA Proceedings.

J.C.Q.B.A

Schedule A
Proposal

This is **Exhibit "3"** referred to in the Affidavit of Paul Joslyn, sworn before me on August 2, 2022.



A Commissioner for Oaths in and for Alberta

Angad Bedi
Barrister & Solicitor

SALE AND INVESTMENT SOLICITATION PROCESS

Preamble

1. This Sales and Investment Solicitation Process (the "**SISP**") will be implemented under Division I of Part III of the *Bankruptcy and Insolvency Act* (Canada), RSC 1985, c B-3 (the "**BIA**") in the Division I proposal proceedings initiated by PetroLama Energy Canada Inc. (the "**Company**") on July 27, 2022 (the "**BIA Proceedings**"). Alvarez & Marsal Canada Inc. has been appointed as proposal trustee (the "**Proposal Trustee**") in the BIA Proceedings and is not acting in its personal or corporate capacity. This SISP was approved by an Order (the "**Approval Order**") on application by the Company to the Court of Queen's Bench of Alberta (the "**Court**") on August 10, 2022.
2. The Approval Order, among other things, approved this SISP including its deeming of the proposal attached thereto as, *inter alia*, a Qualified Bid thereunder to be made by the Company (the "**Stalking Horse Proposal**") pursuant to which 884304 Alberta Ltd. (the "**Stalking Horse Bidder**") agreed, among other things, to: (i) act as a "stalking horse bidder" in the context of this SISP; and (ii) if the Stalking Horse Bidder is determined to be the Successful Bidder, to complete the transaction contemplated by the Stalking Horse Proposal on the terms and conditions set out therein. The Stalking Horse Proposal contemplates, among other things, the existing equity interests in the Company being cancelled, and the Stalking Horse Bidder becoming the sole shareholder of the Company (the "**Stalking Horse Transaction**").
3. The Approval Order, the procedures in respect of this SISP as contained herein (the "**SISP Procedures**") and any subsequent Order issued by the Court pertaining to the SISP Procedures shall exclusively govern the process for soliciting and selecting bids for the sale of, or investment in, the shares or assets of the Company, a refinancing, reorganization, recapitalization, restructuring, joint-venture, merger or other business transaction involving the Company, or some combination thereof.
4. All dollar amounts expressed herein, unless otherwise noted, are in Canadian currency. Unless otherwise indicated herein any event that occurs on a day that is not a Business Day shall be deemed to occur on the next Business Day.

Defined Terms

5. All capitalized terms used herein and not otherwise defined herein shall have the meanings given to them in Schedule "A" hereto.

Sale and Investment Solicitation Process

6. These SISP Procedures describe, among other things:
 - (a) the manner in which prospective bidders may gain access to or continue to have access to due diligence materials concerning the Company and its business and the Company's equity, assets, rights, undertakings and properties;
 - (b) the manner in which bidders and bids become Qualified Bidders and Qualified Bids, as applicable;

- (c) the evaluation of Bids received;
- (d) the guidelines for the ultimate selection of the Successful Bid and/or Back-Up Bid; and,
- (e) the process for obtaining such approvals (including the approval of the Court) as may be necessary or appropriate in respect of a Successful Bid.

Conduct of SISP Procedures

- 7. The Proposal Trustee shall conduct the SISP Procedures as outlined herein. In the event that there is a disagreement regarding, or clarification 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 hear such matters and provide advice and directions upon application of the Company, the Proposal Trustee, the Stalking Horse Bidder or any other interested Person.

"As Is, Where Is"

- 8. Any transaction involving the Company, the shares of the Company, or the assets of the Company, 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 Company, the Proposal Trustee, or any of their respective agents, estates, advisors, professionals or otherwise, except to the extent set forth in a written agreement with the Person who is a counterparty to such a transaction.

Free of Any and All Claims and Interests

- 9. All of the right, title and interest of the Company in and to any assets sold or transferred within the BIA Proceedings will, at the time of such sale or transfer, be sold or transferred free and clear of all pledges, liens, security interests, encumbrances, claims, charges, options and interests pursuant to approval and vesting Orders made by the Court under Section 65.13(7) of the BIA, except to the extent otherwise set forth in the Stalking Horse Transaction or in a Superior Offer, as the case may be.

Timeline

- 10. The following table sets out key milestones and anticipated deadlines for the sales process:

MILESTONE	DATE
Approval Order Application	August 10, 2022
Sales Process Begins	August 12, 2022
Bid Deadline	September 23, 2022
<i>If Stalking Horse Proposal is Successful Bid</i>	

File Stalking Horse Proposal and Mail Creditor Package	October 3, 2022
Creditor Meeting to vote on Stalking Horse Proposal	October 17, 2022
Bid Approval Application	October 26, 2022
Close Stalking Horse Transaction and Implement Slaking Horse Proposal	November 1, 2022
<i>If a Superior Offer is Successful Bid</i>	
Bid Approval Application	October 12, 2022
Intervening Steps and Transaction Close	To be determined depending on structure of Successful Bid

Conflicts Of Interest/Confidentiality

11. The owner and principal of the Stalking Horse Bidder (the "**Principal**") was previously a member of senior management of the Company. As such, the Stalking Horse Bidder and the Principal shall only receive information regarding the SISP in keeping with their capacity and obligations as a Qualified Bidder.

Solicitation of Interest

12. The Proposal Trustee commenced these SISP Procedures by preparing, in consultation with the Company, a list of potential bidders (the "**Known Potential Bidders**"). Such list includes both strategic and financial parties who, in the reasonable business judgment of the Proposal Trustee and the Company, may potentially be interested in and have the financial capacity to make a Superior Offer.
13. For all purposes of this SISP, the following Persons shall be considered as potential bidders (each, a "**Potential Bidder**"): (i) the Known Potential Bidders, and (ii) any other party that executes the documents listed in paragraph 15 and is permitted by the Company, with the consent of the Proposal Trustee, to participate in the SISP.
14. The Proposal Trustee shall provide notice of these SISP Procedures to the Potential Bidders (including the Participation Requirements as specified below in Section 15) after commencement of the BIA Proceedings. In addition, the Proposal Trustee intends to publish notice regarding these SISP Procedures in *The Globe & Mail (National Edition)*, *Calgary Herald*, *Daily Oil Bulletin*, *Insolvency Insider* and any other publications or newswires as determined by the Proposal Trustee.

Participation Requirements

15. Unless otherwise ordered by the Court, any Person who wishes to participate in this SISP must deliver the following to the Proposal Trustee, with a copy to the Company, at the e-mail addresses specified in Schedule "**B**" hereto:

- (a) a letter (a "**Participation Letter**") setting forth (i) the identity, the type and the jurisdiction of organization of the Potential Bidder, (ii) the contact information for such Potential Bidder, (iii) full disclosure of the direct and indirect owners and principals of the Potential Bidder, and (iv) such financial disclosure and credit quality support or enhancement that allows the Company, in consultation with the Proposal Trustee, to make a reasonable determination as to the Potential Bidder's financial and other capabilities to consummate a transaction pursuant to a Superior Offer;
 - (b) an executed NDA; and,
 - (c) an executed letter acknowledging receipt of a copy of the Approval Order (including these SISP Procedures) and agreeing to accept and be bound by the provisions contained therein.
16. If, in the opinion of the Proposal Trustee, in consultation with the Company, a Person has complied with each of the requirements described in Section 15 of these SISP Procedures, such Person shall be deemed a "**Qualified Bidder**" hereunder.
17. Notwithstanding Sections 15 and 16, the Stalking Horse Bidder shall be deemed to be a Qualified Bidder for all purposes under, and at all times in connection with this SISP.
18. The Proposal Trustee will provide each Qualified Bidder with access to an electronic data room containing all material contracts to which the Company is or becomes a party, due diligence materials and financial, tax and other information relating to the shares, the assets, the property and the business of the Company as soon as practicable after the determination that such Person is a Qualified Bidder (the "**Data Room**"). The Data Room shall be kept up to date by the Company and Proposal Trustee.
19. The Proposal Trustee is not responsible for, and will have no liability with respect to, any information obtained by any Potential Bidder. The Proposal Trustee and its advisors do not make any representations or warranties whatsoever as to the information or the materials provided to or obtained by any Potential Bidder and/or any of its agents, consultants, advisors or other third-parties that may be in receipt of this information and are relying upon it for their purposes.

Qualified Bids

20. Any Qualified Bidder other than the Stalking Horse Bidder that wishes to make a Bid must deliver their Bid to the Proposal Trustee, with a copy to the Company, at the e-mail addresses specified in Schedule "**B**" hereto and, for greater certainty, not to the Principal, so as to be actually received by the Proposal Trustee by a time not later than the Bid Deadline.
21. All offers submitted to the Proposal Trustee ("**Bids**") for consideration in accordance with paragraph 20 must comply with all of the following requirements (any such complying Bid, a "**Qualified Bid**"):
 - (a) Purchase Price: Each Bid must clearly set forth the purchase price in Canadian dollars, stated on a total enterprise value basis (including the cash and non-cash

components thereof, and the ability to satisfy the payment of the BIA Charges in full);

- (b) Bid Deadline: Each Bid must be received on or before 5:00 pm (Calgary time) on September 23, 2022 (the "**Bid Deadline**");
- (c) Superior Offer: Each Bid must constitute a Superior Offer;
- (d) Irrevocable Offer: Each Bid must be irrevocable for a minimum of 45 days following the Bid Deadline provided that if such Bid is selected as the Back-Up Bid its offer will remain irrevocable until the date that is five (5) Business Days after the Outside Date;
- (e) Executed Documents: Each Bid must be accompanied by a duly authorized and executed form of transaction document as the Qualified Bidder may choose, and an electronic Word copy of such agreement, as well as duly authorized and executed documents necessary to effectuate the transactions contemplated thereby, including:
 - (i) Identity: Each Bid must fully disclose the identity of each entity that will be sponsoring or participating in the Bid, and the complete terms of such participation;
 - (ii) Contact Information: Each Bid must contain contact information for any business, financial or legal advisors retained or to be retained in connection with the proposed transaction;
 - (iii) Deposit: Each Bid must be accompanied by a refundable deposit (the "**Deposit**") in the form of a wire transfer to a non-interest bearing account specified by the Proposal Trustee, payable to the order of the Proposal Trustee, on behalf of the Company, in trust, in an amount equal to fifteen (15%) percent of the cash consideration contemplated by the Bid or as otherwise contemplated in any fully executed transaction document, to be held and dealt with in accordance with the terms of this SISP. For greater certainty, the Stalking Horse Bidder is not required to deliver a Deposit pursuant to these SISP Procedures;
 - (iv) Financial Wherewithal: Each Bid must include (A) written evidence of a firm, irrevocable commitment for financing, or other evidence of ability to consummate the proposed transaction, that will allow the Proposal Trustee to make a reasonable determination as to the Qualified Bidder's financial and other capabilities to consummate the transaction, fund the business, and implement post-Closing measures and transactions, and (B) the identification of any Person or entity who may provide debt or equity financing for the Bid and any material conditions to be satisfied in connection with such financing;
 - (v) Authorization: Each Bid must include evidence, in form and substance reasonably satisfactory to the Proposal Trustee, of authorization and approval from the Qualified Bidder's board of directors (or comparable

governing body) with respect to the submission, execution, delivery and Closing of the transaction contemplated by the Bid;

- (vi) No Other Authorization, Diligence, Financing Conditions: Each Bid must not be conditional upon the following:
 - A. any internal approval(s);
 - B. the outcome of unperformed due diligence by the Qualified Bidder; or
 - C. obtaining financing;
 - (vii) Regulatory Approvals: Each Bid must outline any anticipated regulatory and other approvals required to close the transaction, and the anticipated time frame and any anticipated impediments for obtaining such approvals and confirms that the Qualified Bidder will make and submit all necessary and applicable regulatory filings and pay all fees associated therewith;
 - (viii) Disclaimer of Fees: Each Bid must disclaim any right to receive a fee analogous to a break-up fee, expense reimbursement, termination fee, or any other similar form of compensation;
 - (ix) Timeline: Each Bid must provide a timeline to Closing with critical milestones;
 - (x) Terms of Court Order(s): Each Bid must describe the key terms and provisions to be included in any Order of the Court approving the contemplated transaction;
 - (xi) Confirmation of no Collusion: Each Bid should include confirmation by the Qualified Bidder that it has not engaged in any discussions or any other collusive behaviour with any other Qualified Bidder regarding the SISP or any Bids submitted or contemplated to be submitted in the SISP; and
 - (xii) Other Information: Each Bid must contain such other information as may be reasonably requested by the Proposal Trustee from time to time.
22. Notwithstanding Section 21, the Stalking Horse Proposal shall be deemed to be a Bid and a Qualified Bid for all purposes under, and at all times in connection with this SISP and, for greater certainty, the Stalking Horse Bidder need not comply with Section 21.
23. The Proposal Trustee, in consultation with the Company, will review and assess each Bid to determine whether such Bid is a Qualified Bid. In performing such review and assessment, the Company, in consultation with the Proposal Trustee, may evaluate the following non-exhaustive list of considerations: (a) the purchase price and net value (including assumed liabilities and other obligations to be performed by the Qualified Bidder); (b) the firm, irrevocable commitment for financing of the transaction; (c) the claims likely to be created by such Bid in relation to other Bids; (d) the counterparties to the transaction; (e) the terms of transaction documents, including, if applicable, the proposed

revisions to the Stalking Horse Proposal; (f) the Closing conditions and other factors affecting the speed, certainty and value of the transaction (including any regulatory approvals required to close the transaction); (g) planned treatment of stakeholders; (h) the assets included or excluded from the Bid; (i) any restructuring costs that would arise from the Bid; (j) the likelihood and timing of consummating the transaction, (k) the financing or cash pro forma available post-Closing to fund the Company's business; and (l) the capital sufficient to implement post-Closing measures and transactions.

24. The Proposal Trustee, in consultation with the Company, may reject any Bid (other than the Stalking Horse Proposal) that is (i) inadequate or insufficient; (ii) not in conformity with the requirements pursuant to these SISP Procedures; (iii) contrary to the best interest of the Company; or (iv) not a Qualified Bid; provided that the Proposal Trustee may waive strict compliance with any one or more of the requirements specified in paragraph 21 above and deem a non-compliant Bid to be a Qualified Bid.
25. Nothing in this SISP prevents the Stalking Horse Bidder from submitting a Superior Offer.

Selection of Successful Bid

26. In the event that no Qualified Bid other than the Stalking Horse Proposal is received by the Bid Deadline, then (a) the Stalking Horse Proposal will be deemed to be the Successful Bid; (b) the Stalking Horse Bidder shall be deemed to be the Successful Bidder, and (c) the Company and the Proposal Trustee shall take all necessary steps to file the Stalking Horse Proposal and hold a creditor meeting in respect of the Stalking Horse Transaction.
27. In the event that the Proposal Trustee determines that one or more Qualified Bids constitutes a Superior Offer, the Proposal Trustee may, but is not required to, approach all Qualified Bidders to submit a highest and best offer. The Proposal Trustee shall select the highest or best Qualified Bid (the "**Successful Bid**" and the party submitting such Successful Bid, the "**Successful Bidder**") and shall identify and record the next highest and/or best Superior Offer (the "**Back-Up Bid**" and the party submitting such Back-Up Bid, the "**Back-Up Bidder**"). The Proposal Trustee shall advise the Successful Bidder and the Back-Up Bidder of such determinations and all other Qualified Bidders that they are not a Successful Bidder or a Back-Up Bidder.

Bid Approval Application

28. If applicable, the Company and the Proposal Trustee shall take all necessary steps to implement the transaction contemplated by the Successful Bid and either the Company or the Proposal Trustee, as applicable, shall apply to the Court (the "**Bid Approval Application**") for an Order approving the Successful Bid and authorizing the Company to enter into any and all necessary agreements with respect to the Successful Bid and to undertake such other actions as may be necessary or appropriate to implement and give effect to the Successful Bid. Such Order shall also approve the Back-Up Bid, *mutatis mutandis*, and authorize the completion of the Back-Up Bid in the event that the Successful Bid does not close for any reason.
29. The hearing of the Bid Approval Application will be held as soon as possible after the selection of the Successful Bid. The Bid Approval Application may be adjourned or rescheduled by the Company or the Proposal Trustee, as applicable, without further notice

by an announcement of the adjourned date at the Bid Approval Application, or by notice to the service list in the BIA Proceedings.

30. All Qualified Bids (other than the Successful Bid and the Back-Up Bid) will be deemed rejected on the date of approval of the Successful Bid by the Court.

Closing the Successful Bid

31. The Company and the Successful Bidder shall take all reasonable steps to complete the transaction contemplated by the Successful Bid as soon as possible after the Successful Bid is approved by the Court. If the transaction contemplated by the Successful Bid does not close for any reason the Company may elect, with the consent of the Proposal Trustee, to seek to complete the transaction contemplated by the Back-Up Bid, and will promptly seek to Close the transaction contemplated by the Back-Up Bid. The Back-Up Bid will be deemed to be the Successful Bid and the Company will be deemed to have accepted the Back-Up Bid only when the Company has made such election and provided written notice of such determination to the Successful Bidder and the Back-Up Bidder.

Deposits

32. All Deposits shall be retained by the Proposal Trustee in a trust account with a chartered bank in Canada. The Deposit (without interest thereon) paid by the Successful Bidder and Back-Up Bidder, as applicable, whose Bid(s) is/are approved at the Bid Approval Application will be applied to the purchase price to be paid or investment amount to be made by the Successful Bidder and/or Back-Up Bidder, as applicable upon Closing of the approved transaction and will be non-refundable, other than in the circumstances set out in the Successful Bid or the Back-Up Bid, as applicable.
33. The Deposits of Qualified Bidders not selected as the Successful Bidder and Back-Up Bidder will be returned to such Qualified Bidders within five (5) Business Days of the date upon which the Successful Bid is approved by the Court or any earlier date as may be determined by the Proposal Trustee. The Deposit of the Back-Up Bidder, if any, shall be returned to such Back-Up Bidder no later than five (5) Business Days after Closing of a transaction with the Successful Bidder.
34. If a Successful Bidder breaches its obligations under the terms of the SISP, its Deposit shall be forfeited as liquidated damages and not as a penalty.
35. If the Company is unable to complete the Successful Bid as a result of its own actions and not as a result of steps or conditions contained in the Successful Bid (or the actions of the Successful Bidder) then the Deposit shall be returned to the Successful Bidder.

Notice

36. The addresses used for delivering documents as prescribed by the terms and conditions of these SISP Procedures are set out in Schedule "B" hereto. A Bid and all associated documentation shall be delivered to the Proposal Trustee by e-mail, personal delivery, and/or courier. Persons requesting information about these SISP Procedures should contact the Proposal Trustee at the contact information contained in Schedule "B".

No Amendment

37. There shall be no amendments to these SISP Procedures unless otherwise ordered by the Court upon application and appropriate notice.

Further Orders

38. At any time during these SISP Procedures, the Proposal Trustee, or the Company may apply to the Court for advice and directions with respect to the discharge of their powers and duties hereunder, including to terminate this SISP if deemed to be necessary by the Proposal Trustee or the Company, acting reasonably.

Schedule "A"

Defined Terms

"**Administration Charge**" means a charge on the Collateral created under the Approval Order in an aggregate amount not to exceed Cdn \$150,000 securing the Administration Obligations, as such charge may be amended by any other Order in the BIA Proceedings.

"**Administration Obligations**" means the indebtedness, liabilities, and Obligations of the Company in respect of the unpaid professional fees and disbursements of the Proposal Trustee, the Proposal Trustee's legal counsel, and the Company's legal counsel, in connection with the BIA Proceedings that were and are incurred both before and after the granting of the Approval Order.

"**Approval Order**" has the meaning given to it in the Preamble.

"**Back-Up Bid**" has the meaning given to it in paragraph 27.

"**Back-Up Bidder**" has the meaning given to it in paragraph 27.

"**BIA**" has the meaning given to it in the Preamble.

"**BIA Charges**" means, collectively, the super-priority charges granted by the Court in the BIA Proceedings, including the Administration Charge, Directors' and Officers' Charge, and the Interim Lender Charge.

"**BIA Proceedings**" has the meaning given to it in the Preamble.

"**Bid Approval Application**" has the meaning given to it in paragraph 28.

"**Bid Deadline**" has the meaning given to it in paragraph 21(b).

"**Bids**" has the meaning given to it in paragraph 21.

"**Business Day**" means a day (other than Saturday or Sunday) on which banks are generally open for business in Calgary, Alberta.

"**Closing**" means the completion of the transaction contemplated by the Successful Bid.

"**Collateral**" means all present and future assets and property of the Company, real and personal, tangible or intangible, and whether now owned or which are hereafter acquired or otherwise become the property of the Company.

"**Company**" has the meaning given to it in the Preamble.

"**Court**" has the meaning given to it in the Preamble.

"**Data Room**" has the meaning given to it in paragraph 18.

"**Deposit**" has the meaning given to it in paragraph 21(e)(iii).

"Directors' and Officers' Charge" means a court-ordered charge on the Collateral, ranking second in priority subject only to the Administration Charge, to secure the indebtedness, liabilities and obligations of the directors and officers of the Company that are incurred after the commencement of the BIA Proceedings, in an amount determined by agreement of the Proposal Trustee, the Company and the Interim Lender, acting reasonably.

"Governmental Authority" means any federal, provincial, state, local, municipal, regional, territorial, aboriginal, or other government, governmental or public department, branch, ministry, or court, domestic or foreign, including any district, agency, commission, board, arbitration panel or authority and any subdivision of any of them exercising or entitled to exercise any administrative, executive, judicial, ministerial, prerogative, legislative, regulatory, or taxing authority or power of any nature; and any quasi-governmental or private body exercising any regulatory, expropriation or taxing authority under or for the account of any of them, and any subdivision of any of them.

"Interim Financing Obligations" means the indebtedness, liabilities, and Obligations of the Company with respect to the debtor-in-possession interim financing facility approved by the Court pursuant to the Approval Order.

"Interim Lender Charge" means the charge created under the Approval Order securing the Interim Financing Obligations, subject to the limits set out in the Approval Order or in any other Order.

"Known Potential Bidder" has the meaning given to it in paragraph 12.

"NDA" means a non-disclosure agreement in form and substance satisfactory to the Proposal Trustee.

"Obligations" means any indebtedness, liabilities, and obligations, whether present, future, direct, indirect, liquidated, or contingent, whether due or accruing due or to become due, owed by the Company to any Person.

"Order" means an order of the Court in the BIA Proceedings.

"Outside Date" means November 30, 2022.

"Participation Letter" has the meaning given to it in paragraph 15(a).

"Person" will be broadly interpreted and includes, without limitation: (i) a natural person, whether acting in his or her own capacity, or in his or her capacity as executor, administrator, estate trustee, trustee or personal or legal representative, and the heirs, executors, administrators, estate trustees, trustees or other personal or legal representatives of a natural person; (ii) a corporation or a company of any kind, a partnership of any kind, a sole proprietorship, a trust, a joint venture, an association, an unincorporated association, an unincorporated syndicate, an unincorporated organization or any other association, organization or entity of any kind; and (iii) a Governmental Authority.

"Potential Bidder" has the meaning given to it in paragraph 13.

"**Principal**" has the meaning given to it in paragraph 11.

"**Proposal Trustee**" has the meaning given to it in the Preamble.

"**Qualified Bid**" has the meaning given to it in paragraph 21.

"**Qualified Bidder**" has the meaning given to it in paragraph 16.

"**SISP**" has the meaning given to it in the Preamble.

"**SISP Procedures**" has the meaning given to it in the Preamble.

"**Stalking Horse Bidder**" has the meaning given to it in the Preamble.

"**Stalking Horse Proposal**" has the meaning given to it in the Preamble.

"**Stalking Horse Transaction**" has the meaning given to it in the Preamble.

"**Successful Bid**" has the meaning given to it in paragraph 27.

"**Successful Bidder**" has the meaning given to it in paragraph 27.

"**Superior Offer**" means a credible, reasonably certain and financially viable offer made by a Qualified Bidder that (i) provides for consideration at least \$10,000 in excess of the aggregate value of the Stalking Horse Transaction, and (ii) the Proposal Trustee, in consultation with the Company, considers to be better than the Stalking Horse Transaction. A Bid made by a Qualified Bidder will not constitute a "**Superior Offer**" unless it provides for the indefeasible payment, in full and in cash, of any amounts owing in respect of those Obligations secured by the BIA Charges.

Schedule "B"

Notice

(a) If to the Company:

Petrolama Energy Canada Inc.
Suite 330, 715 – 5th Avenue SW
Calgary, AB, T2P 2X7

Attention: Paul Joslyn
E-mail: pjoslyn@petrolama.com

with a copy to:

Jensen Shawa Solomon Duguid Hawkes LLP
Suite 800, 304 8 Ave SW
Calgary, AB T2P 1C2

Attention: Christa Nicholson QC / Angad Bedi
E-mail: nicholsonc@jssbarristers.ca / bedia@jssbarristers.ca

(b) If to the Proposal Trustee

Alvarez and Marsal Canada Inc.
Suite 1110, 250 6th Ave SW
Calgary, AB T2P 3H7

Attention: Orest Konowalchuk / Cassie Riglin
E-mail: okonowalchuk@alvarezandmarsal.com / criglin@alvarezandmarsal.com

with a copy to:

Blake, Cassels & Graydon LLP
Suite 3500, 855 2nd St SW
Calgary, AB T2P 4J8

Attention: Kelly Bourassa / James Reid
Email: kelly.bourassa@blakes.com / james.reid@blakes.com

This is **Exhibit "4"** referred to in the Affidavit of Paul Joslyn, sworn before me on August 2, 2022.



A Commissioner for Oaths in and for Alberta

Angad Bedi
Registrar & Solicitor

INTERIM FINANCING TERMS

*WHEREAS the Borrower (as defined below) has requested that the Interim Lender (as defined below) provide financing to fund certain of the Borrower's cash requirements during the pendency of the Borrower's proceedings (the "**BIA Proceedings**") under the Bankruptcy and Insolvency Act, RSC 1985, c B-3 (the "**BIA**") to be commenced by filing a Notice of Intention (the "**NOI**") with the official receiver in accordance with the terms and conditions set forth herein;*

*NOW THEREFORE, the parties, in consideration of the foregoing and the mutual agreements contained herein (the receipt and sufficiency of which are hereby irrevocably acknowledged), agree that the Interim Financing contemplated herein (as defined below) shall occur on and subject to the following binding terms ("**Terms**"):*

1. **BORROWER:** Petrolama Energy Canada Inc. (the "**Borrower**" or the "**Company**").
2. **LENDER:** 884304 Alberta Ltd. (in its capacity as lender under the Interim Financing, the "**Interim Lender**").
3. **DEFINED TERMS:** Capitalized terms used in this Interim Financing Term Sheet have the meanings given thereto in Schedule "**A**".
4. **PURPOSE:** To provide for the short-term liquidity needs of the Borrower while it is under BIA protection pursuant to the BIA Proceedings to be commenced, as more fully set forth herein.
5. **INTERIM FINANCING:** A super priority (debtor-in-possession), interim, non-revolving credit facility up to a maximum principal amount of \$300,000.00 (the "**Interim Financing**"), subject to the terms and conditions contained herein. Interim Advances (as defined below) shall be deposited into the Deposit Account and utilized by the Borrower in accordance with the terms hereof.

Interim advances shall be made to the Borrower from the Interim Financing (such advances being referred to herein as "**Interim Advances**", and "**Interim Advance**" means each such advance) by the Interim Lender in accordance with the Funding Conditions .

6. **DOCUMENTATION:**

All of the obligations of the Borrower under or in connection with the Interim Financing, these Interim Financing Terms, and any other documentation in respect of the Interim Financing that is requested by the Interim Lender (collectively, the "**Interim Financing Credit Documentation**") shall be acceptable in form and substance to the Interim Lender in its sole discretion (acting reasonably) and shall be secured by the Interim Lender Charge.

7. **CONDITIONS PRECEDENT TO THE INTERIM ADVANCES:**

The Interim Lender's agreement to make Interim Advances to the Borrower is subject to the satisfaction of the following conditions precedent (these conditions, the "**Funding Conditions**"), as determined by the Interim Lender:

1. The Court shall have issued the Approval Order on or before September 8, 2022 (the "**Outside Date**"), satisfactory to the Interim Lender and: A. substantially in the form attached hereto as **Schedule "B"**, including providing for the Administrative Charge and the Directors' and Officers' Charge on notice to such parties as are acceptable to the Interim Lender; B. approving these Interim Financing Terms and the Interim Financing; C. granting the Interim Lender a charge (the "**Interim Lender Charge**") securing all obligations owing by the Borrower to the Interim Lender under the Interim Financing Credit Documentation, and without limitation, all principal of the Interim Advances, interest thereon and Interim Financing Fees and Expenses (collectively, the "**Interim Financing Obligations**"), which shall have priority over all Liens other than the Permitted Priority Liens; D. approving a sale and investor solicitation process ("**SISP**") and the Stalking Horse Proposal (as defined in the SISP) as a Qualified Bid (as defined in the SISP), in a form acceptable to the Interim Lender in its sole discretion; and E. the Approval Order shall not have been stayed, vacated or otherwise caused to be ineffective or amended, restated or modified in a way that adversely impacts the rights and interests of the Interim Lender, as determined by the Interim Lender (acting reasonably), without the consent of the Interim Lender;

2. The Interim Financing Credit Documentation shall be satisfactory to the Interim Lender, acting reasonably, and shall have been

executed by the Borrower and the Interim Lender;

3. The Interim Lender shall, acting reasonably, be satisfied that the Borrower has complied with and is continuing to comply in all material respects with all applicable laws, regulations and policies in relation to their businesses other than as may be permitted under a Restructuring Court Order or as to which any enforcement in respect of non-compliance is stayed by a Restructuring Court Order, provided the issuance of such Restructuring Court Order does not result in the occurrence of an Event of Default;

4. The Borrower shall be in compliance with any timetables established from time to time by them and approved by the Court and the Interim Lender setting out the SISF or any similar process, unless expressly waived in writing by the Interim Lender;

5. The Interim Lender shall have received a written request for an Interim Advance of the Interim Financing from the Borrower, which shall be executed by an officer of the Borrower.

6. The requested Interim Advance shall not cause the aggregate amount of all outstanding Interim Advances to exceed the maximum principal amount set out in Section 5.

7. All of the representations and warranties of the Borrower as set forth herein are true and accurate;

8. No Default or Event of Default has occurred or will occur as a result of the requested Interim Financing;

9. The Interim Lender is satisfied that no Material Adverse Change shall have occurred after the date of the issuance of the Approval Order;

10. There are no Liens ranking in priority to the Interim Lender Charge, other than the Permitted Priority Liens;

For greater certainty, the Interim Lender shall not be obligated to make available funds pursuant to the Interim Financing Credit Documentation unless and until all the foregoing conditions have been

satisfied and all the foregoing documentation and confirmations have been obtained, each in form and content satisfactory to the Interim Lender in its sole discretion.

8. COSTS AND EXPENSES

The Borrower shall pay all of the Interim Lender's legal fees (on a solicitor-client, full indemnity basis) and out-of-pocket disbursements and any costs of realization or enforcement, in each case in connection with or otherwise related to the Interim Financing, the Interim Lender Charge, or the BIA Proceedings (collectively, the "**Interim Financing Fees and Expenses**").

9. INTERIM FINANCING SECURITY AND DOCUMENTATION

All Interim Financing Obligations shall be secured by the Interim Lender Charge.

The Interim Lender Charge shall be a priority Lien, subordinate only to the Permitted Priority Liens. Notwithstanding the foregoing, and subject to the concluding sentence of this paragraph, no proceeds of the Interim Financing may be used to (a) investigate, object to or challenge in any way any claims of the Interim Lender against the Borrower in respect of the Interim Financing, or (b) investigate, object to or challenge in any way the validity, perfection or enforceability of the Liens created pursuant to the Interim Lender Charge. Nothing in this paragraph shall restrict the Borrower or the Proposal Trustee, including the engagement by the Proposal Trustee of independent legal counsel, from (and receiving their fees, costs and expenses therefor) conducting a claims process in accordance with the BIA or any Restructuring Court Order.

10. PERMITTED LIENS AND PRIORITY:

All Collateral will be free and clear of all Liens, except for the Permitted Liens.

11. PROPOSAL TRUSTEE:

The court-appointed proposal trustee in the BIA Proceedings shall be Alvarez & Marsal Canada Inc. (the "**Proposal Trustee**"). The Proposal Trustee shall be authorized to have direct discussions with the Interim Lender, and the Interim Lender shall be entitled to receive information from the Proposal Trustee as may be requested by the Interim Lender from time to time except to the extent same is prohibited by the SISP.

12. REPAYMENT:

The Interim Financing, including any Interim Advance, shall be repayable in full on the earlier of:

(i) the occurrence of any Event of Default hereunder which is continuing and has not been cured; (ii) the implementation of a proposal within the BIA Proceedings (a "**Proposal**") which has been approved by the requisite majorities of the Borrower's creditors and by an order entered by the Court; (iii) the closing of a Bankruptcy Sale within the BIA Proceedings which has been approved by orders entered by the Court; and (iv) November 30, 2022 (the earliest of such dates being the "**Maturity Date**").

The commitment in respect of the Interim Facility shall expire on the Maturity Date and all amounts outstanding under the Interim Facility shall be repaid in full no later than the Maturity Date, without the Interim Lender being required to make demand upon the Borrower or to give notice that the Interim Facility has expired and the obligations are due and payable. The order of the Court sanctioning any Proposal shall not discharge or otherwise affect in any way any of the obligations of the Borrower under the Interim Facility, other than after the permanent and indefeasible payment in cash to the Interim Lender of all obligations under the Interim Facility on or before the date the Proposal is implemented.

13. AVAILABILITY UNDER INTERIM FINANCING:

Interim Advances shall be made by the Interim Lender to the Borrower within two (2) Business Days after satisfaction, as determined by the Interim Lender in its sole discretion of all of the applicable Funding Conditions set out in the Interim Financing Credit Documentation.

The first and second Interim Advance shall be in a minimum aggregate amount that is no less than \$100,000. The third Interim Advance shall be in an amount to be agreed upon by the Interim Lender, the Borrower and the Proposal Trustee.

All proceeds of Interim Advances shall be deposited into the Deposit Account. The Deposit Account shall be subject to a priority Lien in favour of the Interim Lender, subordinate only to the Permitted Priority Liens.

14. USE OF PROCEEDS:

The proceeds of the Interim Financing shall only be used: (i) to finance operating expenses,

restructuring costs in the BIA Proceedings, professional fees (including fees of legal counsel to the Borrower, the Proposal Trustee and the Proposal Trustee's legal counsel), and for general corporate purposes of the Borrower and (ii) to pay fees and expenses related to the Interim Financing and the BIA Proceedings provided that no proceeds from the Interim Financing or the Collateral shall be used other than in accordance with the Interim Financing Credit Documentation unless otherwise agreed in writing by the Interim Lender in its sole discretion.

15. EVIDENCE OF INDEBTEDNESS:

The Interim Lender's accounts and records constitute, in the absence of manifest error, conclusive evidence of the indebtedness of the Borrower to the Interim Lender pursuant to the Interim Financing.

16. PREPAYMENTS:

Provided the Proposal Trustee is satisfied that there are sufficient cash reserves in the Borrower's bank accounts to satisfy amounts secured by the Permitted Priority Liens, the Borrower may prepay any amounts outstanding or any portion of any amounts outstanding under the Interim Financing at any time prior to the Maturity Date, without any prepayment fee or penalty.

**17. FEES, INTEREST RATE AND
DEFAULT RATE:**

The Interim Advances shall bear interest at a rate per annum equal to 5% (the "**Interest Rate**"). Such interest shall accrue daily and shall be payable monthly in arrears on each Interest Payment Date for the period from and including the date upon which the Interim Lender advances any Interim Financing to the Borrower to and including the day any Interim Advances are repaid to the Interim Lender, and shall be calculated on the principal amount of the Interim Financing outstanding during such period and on the basis of the actual number of days elapsed in a year of 365 days.

18. CURRENCY:

Unless otherwise stated, all monetary denominations shall be in Cdn. Dollars. Any payment under the Interim Financing Credit Documentation which the Borrower pays to the Interim Lenders in a currency other than Cdn. Dollars (the "**Other Currency**"), whether voluntarily or pursuant to an order or judgment of a court or tribunal of any jurisdiction, will only discharge the Borrower's liability under this Agreement to the extent of the Equivalent Amount in Cdn. Dollars of the Other Currency so paid.

19. REPRESENTATIONS AND WARRANTIES:

The Borrower represents and warrants to the Interim Lender, upon which the Interim Lender relies on entering into the Interim Financing Credit Documentation, that:

- (a) The transactions contemplated by the Interim Financing Credit Documentation:
 - (i) are within the powers of the Borrower;
 - (ii) have been duly authorized by all necessary corporate or partnership authority, as the case may be, and, if required, shareholder, partner, or administrator, as the case may be, approval of the Borrower;
 - (iii) have been duly executed and delivered by or on behalf of the Borrower;
 - (iv) constitute legal, valid and binding obligations of each of the Borrower; and
 - (v) do not require the consent or approval of, registration or filing with, or any other action by, any Governmental Authority, other than filings which may be made to register or otherwise record the Interim Lender Charge.
- (b) The activities of the Borrower have been conducted in material compliance with all applicable provincial, state and federal laws, subject to the provisions of the BIA, and any Restructuring Court Order, unless: (i)

otherwise ordered by the Court, or (ii) the sanctions for non-compliance are stayed by a Restructuring Court Order.

- (c) The Borrower has maintained its obligations for payroll, source deductions, goods and services tax and harmonized sales tax, as applicable, and is not in arrears in respect of payment of these obligations.
- (d) No Default or Event of Default has occurred and is continuing.

20. AFFIRMATIVE COVENANTS:

Subject to the SISP, the Borrower covenants and agrees to perform and do each of the following until the Interim Financing Obligations are permanently and indefeasibly repaid in full and the Interim Financing is terminated:

- (a) Allow the Interim Lender or its respective agents and advisors, on reasonable notice during regular business hours, to enter on and inspect the Borrower's assets and properties, and provide the Interim Lender or its respective agents or advisors, on reasonable notice and during normal business hours, full access to the books and records of the Borrower and cause management thereof to fully co-operate with the Interim Lender or its respective agents and advisors, as applicable.
- (b) Use reasonable efforts to keep the Interim Lender apprised on a timely basis of all material developments with respect to the business and affairs of the Borrower, including (without limitation) the development of a Proposal or a Restructuring Option.
- (c) Deliver to the Interim Lender periodic reporting packages and other information requested by the Interim Lender from time to time, including (i) annual and quarterly unaudited financial statements for the Borrower, each together with officer compliance certificates and management reports, on a look-forward basis; (ii) a reasonable period of time prior to filing with the Court, copies of all pleadings, motions, applications, judicial or financial information

and other documents filed by or on behalf of the Borrower with the Court; (iii) notice of material events, including, without limitation, defaults, new litigation or changes in status of ongoing litigation, regulatory and other filings and any other event that could reasonably be expected to result in a Material Adverse Change; and (iv) without limiting the foregoing, the Borrower shall deliver to the Interim Lender copies of any financial reporting provided to the Proposal Trustee in a timely manner and forthwith provide to the Interim Lender any reports or commentary received from the Proposal Trustee regarding the financial position of the Borrower.

- (d) Use the proceeds of the Interim Financing only for the purposes described in Section 14, and in a manner consistent with the restrictions set out herein.
- (e) Comply with the provisions of the court orders made in the BIA Proceedings applicable to the Borrower (collectively, the "**Restructuring Court Orders**" and each a "**Restructuring Court Order**"); provided that if any such Restructuring Court Order contravenes the Interim Financing Credit Documentation so as to materially adversely impact the rights or interests of the Interim Lender, as determined by the Interim Lender acting reasonably, the same shall be an Event of Default hereunder.
- (f) Preserve, renew and keep in full force its respective corporate, or partnership existence and its respective material licenses, permits, approvals, and other authorizations required in respect of its business, properties, assets or any activities or operations carried out therein, unless otherwise agreed by the Interim Lender.
- (g) Forthwith notify the Interim Lender of the occurrence of any Default or Event of Default.
- (h) Provide the Interim Lender with draft copies of all motions, applications, proposed orders or other material or documents that any of

them intend to file in the BIA Proceedings as soon as practically possible prior to any such filing.

- (i) Provide to the Interim Lender regular updates regarding the status of the BIA Proceedings including, without limitation, reports on the progress of any Proposal, Restructuring Option, or Bankruptcy Sale and any information which may otherwise be confidential subject to same being maintained as confidential by the Interim Lender.

21. NEGATIVE COVENANTS:

The Borrower covenants and agrees not to do the following other than with the prior written consent of the Interim Lender:

- (a) Transfer, lease, or otherwise dispose of all or any part of its property, assets or undertaking over Cdn. \$10,000.00 at any one time, or through a series of related transactions over Cdn. \$10,000.00 in the aggregate after the date hereof (excluding dispositions of obsolete assets in the ordinary course of business), without the prior written consent of the Interim Lender.
- (b) Make any payment of principal or interest in respect of existing (pre-filing) debt or obligation, other than as may be permitted by a Restructuring Court Order and that does not result in an Event of Default.
- (c) Create or permit to exist indebtedness (including guarantees thereof or indemnities or other financial assistance in respect thereof) other than existing (pre-filing) debt, debt contemplated by the Interim Financing Credit Documentation, and post-filing trade payables.
- (d) Make any payments outside the normal course of business
- (e) Make or give any additional financial assurances, in the form of bonds, letters of credit, guarantees or otherwise, to any person (including, without limitation, any Governmental Authority).

- (f) Create, permit to exist or seek or support a motion by another party to provide to any third party a Lien on the Collateral which is senior to or *pari passu* with the Interim Lender Charge, other than the Permitted Priority Liens.
- (g) Change its name, amalgamate, consolidate with or merge into, or enter into any similar transaction with any other entity.
- (h) Make any payment in respect of post-employment benefit payments.

22. INDEMNITY AND RELEASE:

The Borrower agrees to indemnify and hold harmless the Interim Lender and its respective directors, officers, employees, agents, attorneys, advisors and affiliates (all such persons and entities being referred to hereafter as "**Indemnified Persons**") from and against any and all actions, suits, proceedings (including any investigations or inquiries), claims, losses, damages, liabilities or expenses of any kind or nature whatsoever (excluding indirect or consequential damages and claims for lost profits) which may be incurred by or asserted against or involve any Indemnified Person (collectively, "**Claims**") as a result of or arising out of or in any way related to or resulting from the Interim Financing, any Interim Advance, and the Interim Financing Credit Documentation (regardless of whether such Claim is made in the BIA Proceedings or any other proceeding, including a bankruptcy or insolvency proceeding) and, upon demand, to pay and reimburse any Indemnified Person for any legal or other out-of-pocket expenses incurred in connection with investigating, defending or preparing to defend any such action, suit, proceeding (including, without limitation, any inquiry or investigation) or claim (whether or not any Indemnified Person is a party to any action or proceeding out of which any such expenses arise); provided, however, the Borrower shall not be obligated to indemnify pursuant to this paragraph any Indemnified Person against any loss, claim, damage, expense or liability (a) to the extent it resulted from the gross negligence or wilful misconduct of such Indemnified Person as finally determined by a court of competent jurisdiction, or (b) to the extent arising from any dispute solely among Indemnified Persons other than any claims arising out of any act or omission on the part of the

Borrower. The Borrower shall not be responsible or liable to any Indemnified Person or any other person for consequential or punitive damages. Each of the Indemnified Persons undertakes to repay any and all costs paid to such Indemnified Person in accordance with this Section 22 if it is ultimately determined that such Indemnified Person is not entitled to be indemnified therefor.

23. EVENTS OF DEFAULT:

The occurrence of any one or more of the following events without the Interim Lender's written consent shall constitute an event of default ("**Event of Default**") under this Interim Financing Term Sheet:

- (a) the issuance of an order of the Court (including any Restructuring Court Order) or any other court of competent jurisdiction under the Interim Financing Credit Documentation:
 - (i) dismissing the BIA Proceedings, or lifting the stay in the BIA Proceedings to permit (A) the enforcement of any Lien against the Borrower, or a material portion of their respective property, assets or undertaking, or (B) the making of a bankruptcy order against the Borrower;
 - (ii) granting any court-ordered charge against the Collateral which ranks senior to or *pari passu* with the Interim Lender Charge, other than the Priority Charges;
 - (iii) staying, reversing, vacating or otherwise modifying the Interim Financing Credit Documentation, or any Restructuring Court Order in a manner materially adverse to the interests of the Interim Lender, as determined by the Interim Lender acting reasonably;
 - (iv) materially adversely impacting the rights and interests of the Interim Lender, as determined by the Interim Lender acting reasonably without the prior written consent of

the Interim Lender;

- (b) the filing of any pleading by the Borrower seeking any of the matters set forth in clause (a) above or failure of the Borrower to diligently oppose any party that brings an application or motion for the relief set out in paragraph (a) above and/or fails to secure the dismissal of such motion or application within 10-days from the date such application or motion is brought.
- (c) failure of the Borrower to comply with any negative covenants in the Interim Financing Credit Documentation;
- (d) the occurrence of a Material Adverse Change;
- (e) any representation or warranty by a Borrower in the Interim Financing Credit Documentation shall be incorrect or misleading in any material respect when made;
- (f) any material violation or breach of any Restructuring Court Order upon receipt by the Borrower of notice from the Interim Lender of such violation or breach;
- (g) any proceeding, motion or application is commenced or filed by the Borrower, or if commenced by another party, supported or otherwise consented to by the Borrower, seeking the invalidation, subordination or other challenging of the terms of the Interim Financing, the Interim Lender Charge, the Interim Financing Credit Documentation or, unless the Proposal or Restructuring Option provides for repayment in full of the Interim Financing, the approval of any Proposal or Restructuring Option which does not have the prior written consent of the Interim Lender;
- (h) any Proposal is sanctioned or any Restructuring Option is consummated by the Borrower that is not consistent with or contravenes any provision of the Interim Financing Credit Documentation in a manner that is materially adverse to the

interests of the Interim Lender, as determined by the Interim Lender acting reasonably, or would reasonably be expected to materially adversely affect the interests of the Interim Lender, as determined by the Interim Lender acting reasonably, unless the Interim Lender has consented thereto;

- (i) except as otherwise agreed to in writing by the Interim Lender, the Borrower is required by any Governmental Authority to make expenditures or pay damages, fines, claims, costs or expenses to remediate, in respect of any Environmental Liabilities, and such requirement is not stayed by a Restructuring Court Order;
- (j) failure of the Borrower to pay any principal amount owing under the Interim Financing Credit Documentation when due;
- (k) failure of the Borrower to pay any interest or fees or any portion thereof owing under the Interim Financing Credit Documentation when due and such default shall remain unremedied for a period of two (2) Business Days after written notice from the Interim Lender to the Borrower that such amount is overdue;
- (l) failure of the Borrower to perform or comply with any other term or covenant under this the Interim Financing Credit Documentation, and such default shall continue unremedied for a period of three (3) Business Days; and
- (m) if the Borrower commences an action or takes any other proceeding to obtain any form of relief against the Interim Lender, including, without limitation, a proceeding to recover damages or to obtain payment of any amounts purported to be owing by the Interim Lender or any affiliate thereof to the Borrower or any affiliate thereof if the Interim Lender or such affiliate disputes any of the same.

24. REMEDIES:

Upon the occurrence of an Event of Default, and subject to the Restructuring Court Orders, the Interim Lender may, in its sole and absolute

discretion, elect to terminate its commitment to make Interim Advances to the Borrower hereunder and declare the obligations in respect of the Interim Financing Credit Documentation to be immediately due and payable. In addition, upon the occurrence of an Event of Default, the Interim Lender may, in its sole and absolute discretion, subject to any Restructuring Court Order:

- (a) set-off or combine any amounts then owing by the Interim Lender to the Borrower against the obligations of the Borrower to the Interim Lender hereunder;
- (b) apply to the Court for an order or orders, on terms satisfactory to the Proposal Trustee and the Interim Lender, providing the Proposal Trustee with the power, in the name of and on behalf of the Borrower, to take all necessary steps in the BIA Proceedings;
- (c) subject to obtaining prior approval from the Court, exercise the powers and rights of a secured party under the *Personal Property Security Act* (Alberta), or any legislation of similar effect; and
- (d) subject to obtaining prior approval from the Court, exercise all such other rights and remedies hereunder, the Restructuring Court Orders and applicable law.

25. INTERIM LENDER'S APPROVALS:

Any consent, approval, instruction or other expression of the Interim Lender shall be in the Interim Lender's sole and absolute discretion, unless otherwise provided in the Interim Financing Credit Documentation and shall be delivered by any written instrument, including by way of electronic mail, by the Interim Lender, or its counsel, pursuant to the terms of the Interim Financing Credit Documentation.

26. TERMINATION BY THE BORROWER:

At any time following the indefeasible payment in full in immediately available funds of all of the outstanding Interim Financing Obligations, the Borrower shall be entitled to terminate these Interim Financing Terms upon notice to the Interim Lender.

27. AMENDMENTS, WAIVERS, ETC.:

No waiver or delay on the part of the Interim Lender in exercising any right or privilege under the Interim Financing Credit Documentation will operate as a waiver thereof unless made in writing by the Interim Lender and delivered in accordance with the Terms hereof, and then such waiver shall be effective only in the specific instance and for the specific purpose given.

28. ASSIGNMENT:

The Interim Lender may assign the Interim Financing Credit Documentation and its rights and obligations hereunder, in whole or in part, or grant a participation in its respective rights and obligations hereunder, (i) at any time to an affiliate; (ii) prior to the occurrence of an Event of Default, subject to the consent of the Borrower, not to be unreasonably withheld; and (iii) following the occurrence of an Event of Default, to any person acceptable to the Interim Lender in its sole and absolute discretion (subject in all cases to providing the Proposal Trustee with reasonable evidence that such assignee has the financial capacity to fulfill the obligations of the applicable Interim Lender hereunder). None of the Interim Financing Credit Documentation nor any right or obligation hereunder may be assigned by the Borrower.

29. COUNTERPARTS AND FACSIMILE SIGNATURES:

These Interim Financing Terms may be executed in any number of counterparts (including by facsimile or other electronic transmission), each of which when executed and delivered will be deemed to be an original, but all of which when taken together constitutes one and the same instrument. Any party hereto may execute these Interim Financing Terms by signing any counterpart. The words "execution", "execute", "executed", "signed", "signature" and words of like import in these Interim Financing Terms or in or related to any document to be signed in connection with these Interim Financing Terms and the transactions contemplated hereby, shall be deemed to include electronic signatures or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature or the use of a paper-based recordkeeping system, as the case may be, in accordance with Applicable Law including, without limitation, as provided in Parts 2 and 3 of the *Personal Information Protection and Electronic Documents Act* (Canada), the *Electronic Transactions Act* (Alberta), or any other similar laws based on the

Uniform Electronic Commerce Act of the Uniform Law Conference of Canada. The Interim Lender may, in its discretion, require that any such documents and signatures executed electronically or delivered by fax or other electronic transmission be confirmed by a manually signed original thereof; provided that the failure to request or deliver the same shall not limit the effectiveness of any document or signature executed electronically or delivered by fax or other electronic transmission.

30. NOTICES:

Any notice, request or other communication hereunder to any of the parties shall be in writing to:

In the case of the Borrower:

Petrolama Energy Canada Inc.
Suite 330, 715 – 5th Avenue SW
Calgary , AB , T2P 2X7

Attention: Paul Joslyn

and

Jensen Shawa Solomon Duguid Hawkes LLP
800, 304 - 8th Avenue, SW
Calgary AB T2P 1C2

Attention: Christa Nicholson QC/Angad Bedi

E-mail nicholsonc@jssbarristers.ca /
bedia@jssbarristers.ca

In the case of the Interim Lender:

884304 Alberta Ltd.
4 Muirfield Close
Lyalta, AB T0J 1Y1

Attention: Scott Holmes

E-mail: sholmes@bbrosenergy.com

In the case of the Proposal Trustee:

Alvarez & Marsal
Suite 1110, 250 6th Ave SW
Calgary, AB T2P 3H7

Attention: Orest Konowalchuk/Cassie Riglin

E-mail:

okonowalchuk@alvarezandmarsal.com /
criglin@alvarezandmarsal.com

and

Blake, Cassels & Graydon LLP
855 2 St SW #3500
Calgary, AB T2P 4J8

Attention: Kelly Bourassa/James Reid

E-mail: kelly.bourassa@blakes.com /
james.reid@blakes.com

31. GOVERNING LAW:

The Interim Financing Credit Documentation shall be governed by, and construed in accordance with, the laws of the Province of Alberta and the federal laws of Canada applicable therein.

IN WITNESS WHEREOF the parties hereto have executed and agreed to these Interim Financing Terms .

BORROWER:

PETROLAMA ENERGY CANADA INC.

By:  _____

Name: *Paul Joslyn*
Title: *Chief Financial Officer*

INTERIM LENDER:

884304 Alberta Ltd

By: _____

Name:

Title:

IN WITNESS WHEREOF the parties hereto have executed and agreed to these Interim Financing Terms .

BORROWER:

PETROLAMA ENERGY CANADA INC.

By: _____
Name:
Title:

INTERIM LENDER:

884304 Alberta Ltd

By:  _____
Name: *SCOTT HOLMES*
Title: *DIRECTOR*

SCHEDULE "A"

DEFINED TERMS

"Administration Charge" means a charge on the collateral created under the Approval Order in an aggregate amount not to exceed Cdn \$150,000.00 securing the Administration Obligations, as such charge may be amended by any other Order in the BIA Proceedings.

"Administration Obligations" means the indebtedness, liabilities, and Obligations of the Company in respect of the unpaid professional fees and disbursements of the Proposal Trustee, the Proposal Trustee's legal counsel, and the Company's legal counsel, in connection with the BIA Proceedings that were and are incurred both before and after the granting of the Approval Order.

"Applicable Law" means (a) any domestic or foreign statute, law (including common and civil law), treaty, code, ordinance, rule, regulation, restriction or by-law (zoning or otherwise); (b) any judgement, order, writ, injunction, decision, ruling, decree or award; (c) any regulatory policy, practice, guideline or directive; or (d) any franchise, licence, qualification, authorization, consent, exemption, waiver, right, permit or other approval of any Governmental Authority, binding on or affecting the Person referred to in the context in which the term is used or binding on or affecting the property of such Person, in each case whether or not having the force of law.

"Approval Order" means the order of the Court dated no later than September 8, 2022 approving, among other things, the Administration Charge, the Directors' and Officers' Charge, the Interim Lender Charge, the SISP including deeming the Stalking Horse Proposal (as defined in the SISP) to be a Qualified Bid (as defined in the SISP), and the extension of the stay of proceedings created by the NOI.

"Bankruptcy Sale" means the sale of all or substantially all of the assets of the Borrower pursuant to a sale approved by the Court.

"BIA" has the meaning given thereto in the preamble.

"BIA Proceedings" has the meaning given thereto in the preamble.

"Borrower" has the meaning given thereto in Section 1.

"Business Day" means a day, excluding Saturday and Sunday, on which banking institutions are open for the transaction of commercial business in Calgary, Alberta.

"Company" has the meaning given thereto in Section 1.

"Cdn. Dollars" and the symbol **"Cdn. \$"** and the symbol **"\$"** each mean lawful money of Canada.

"Claims" has the meaning given thereto in Section 22.

"Closing" means the satisfaction of the Funding Conditions as set out in Section 7.

"Collateral" means all present and future assets and property of the Borrower, real and personal, tangible or intangible, and whether now owned or which are hereafter acquired or otherwise become the property of the Borrower.

"Court" means the Court of Queen's Bench of Alberta, Judicial Centre of Calgary.

"Default" means any event or condition which, with the giving of notice, lapse of time or upon a declaration or determination being made (or any combination thereof), would constitute an Event of Default.

"Directors' and Officers' Charge" means a court-ordered charge on the Collateral, ranking second in priority subject only to the Administration Charge, in an aggregate amount not to exceed \$65,000.00, to secure the indebtedness, liabilities and obligations of the directors and officers of the Company that are incurred after the commencement of the BIA Proceedings, in an amount determined by agreement of the Proposal Trustee, the Company and the Interim Lender, acting reasonably.

"Deposit Account" means the following account to which payments and transfers under the Interim Financing Credit Documentation are to be affected:

Payment Format: CAD
Beneficiary Bank: HSBC Bank Canada
Beneficiary Bank Address: 407-8th Avenue SW, Calgary, AB
Institution Code: 016
Transit No.: 10149
Beneficiary Account No.: 000588-001

or such other account or accounts as the Interim Lender may from time to time designate by notice to the Borrower.

"Environmental Liabilities" means all liabilities, obligations, responses, remedial and removal costs, investigation and feasibility study costs, capital costs, operation and maintenance costs and other costs and expenses, including fines, penalties, sanctions and interest incurred as a result of or related to any claim, investigation, proceeding or demand of any Governmental Authority against the Borrower including, without limitation, arising under or related to any law relating to the environment or in connection with any substance which is or is deemed under any applicable law to be, alone or in combination, hazardous, hazardous waste, toxic, a pollutant, a contaminant or source of pollution or contamination whether on, at, in, under, from or about or in the vicinity of any real or personal property owned by the Borrower.

"Equivalent Amount" means, with respect to an amount in one currency, the amount in another currency that could be purchased by the amount in the first currency determined by reference to the noon rate of exchange for Canadian interbank transactions established by the Bank of Canada for converting the first currency to the other currency at the time of determination, or, if such rate is for any reason unavailable, at the spot rate quoted for wholesale transactions by HSBC Bank Canada at approximately noon (Calgary time) on that date in accordance with its normal practice.

"Event of Default" has the meaning given thereto in Section 23.

"Filing Date" means July 27, 2022.

"Funding Conditions" has the meaning given thereto in Section 7.

"Governmental Authority" means any federal, provincial, state, local, municipal, regional, territorial, aboriginal, or other government, governmental or public department, branch, ministry, or court, domestic or foreign, including any district, agency, commission, board, arbitration panel or authority and any subdivision of any of them exercising or entitled to exercise any administrative, executive, judicial, ministerial, prerogative, legislative, regulatory, or taxing authority or power of any nature; and any quasi-governmental or private body exercising any regulatory, expropriation or taxing authority under or for the account of any of them, and any subdivision of any of them.

"Indemnified Persons" has the meaning given thereto in Section 22.

"Interest Payment Date" means the third day of each month; provided that, in any case, on the Maturity Date or, if applicable, any earlier date on which the Interim Financing is fully cancelled or permanently reduced in full, shall be an Interest Payment Date with respect to all Interim Advances then outstanding under the Interim Financing.

"Interim Advance" and **"Interim Advances"** have the meanings given thereto in Section 5.

"Interim Financing" has the meaning given thereto in Section 5.

"Interim Financing Fees and Expenses" has the meaning given thereto in Section 8.

"Interim Financing Obligations" has the meaning given thereto in Section 7.

"Interim Financing Credit Documentation" has the meaning given thereto in Section 6.

"Interim Financing Terms " means this agreement as the same may be amended, modified, supplemented or restated from time to time in accordance with the provisions hereof.

"Interim Lender" has the meaning given thereto in Section 2.

"Interim Lender Charge" has the meaning given thereto in Section 7.

"Liens" means all mortgages, charges, pledges, hypothecs, assignments by way of security, conditional sales or other title retention arrangements, security created under the *Bank Act* (Canada), liens, encumbrances, security interests or other interests in property, howsoever created or arising, whether fixed or floating, perfected or not, which secure payment or performance of an obligation and, including, in any event:

- (a) deposits or transfers of cash, marketable securities or other financial assets under any agreement or arrangement whereby such cash, securities or assets may be withdrawn, returned or transferred only upon fulfilment of any condition as to the discharge of any other indebtedness or other obligation to any creditor;
- (b) (i) rights of set-off or (ii) any other right of or arrangement of any kind with any creditor, which in any case are made, created or entered into, as the case may be, for the purpose of or having the effect (directly or indirectly) of (A) securing indebtedness, (B) preferring some holders of indebtedness over other holders of indebtedness or (C) having the claims of any creditor be satisfied prior to the claims of other creditors with or

from the proceeds of any properties, assets or revenues of any kind now owned or later acquired (other than, with respect to (C) only, rights of set-off granted or arising in the ordinary course of business); and

- (c) absolute assignments of accounts receivable,

in each of the foregoing cases, granted by the Borrower or against the Collateral.

"Material Adverse Change" means any event, circumstance, occurrence or change which results, or which would reasonably be expected to result, in a material adverse change in:

- (a) the ability of the Borrower to perform any material obligation under this Interim Financing Term Sheet or any Restructuring Court Order, or the ability of the Borrower to carry out a Proposal or Restructuring Option;
- (b) the validity or enforceability of the Interim Lender Charge or the ranking of any of the Liens granted thereby or the material rights or remedies intended or purported to be granted to the Interim Lender under or pursuant to such Interim Lender Charge; or
- (c) the business, operations, assets, condition (financial or otherwise) or results of operations of the Borrower, on a consolidated basis.

"Maturity Date" has the meaning given thereto in Section 12.

"Maximum Amount" has the meaning attributed thereto in Section 5.

"Order" means an order of the Court in the BIA Proceedings.

"Outside Date" has the meaning given thereto in Section 7.

"Permitted Liens" means (i) the Interim Lender Charge; (ii) any charges created under the Approval Order or other order of the Court in the BIA Proceedings subsequent in priority to the Interim Lender Charge, the limit and priority of each of which shall be acceptable to the Interim Lender in its discretion; (iii) valid and perfected Liens existing prior to the date hereof; (iv) inchoate statutory Liens arising after the Filing Date in respect of any accounts payable arising after the Filing Date in the ordinary course of business, provided to pay all such amounts are paid as and when due; and (v) the Permitted Priority Liens.

"Permitted Priority Liens" means: (a) the Priority Charges; (b) statutory super-priority Liens for unpaid employee source deductions; (c) Liens for unpaid municipal or county property taxes or utilities to the extent that are given first priority over other Liens by statute; and (d) such other Liens as may be agreed to in writing by the Interim Lender. For greater certainty, except as expressly set forth herein, Liens arising from the construction, repair, maintenance and/or improvement of real or personal property, shall not be **"Permitted Priority Liens"**.

"Priority Charges" means the Administration Charge and the Directors' and Officers' Charge.

"Proposal" has the meaning given thereto in Section 12.

"Proposal Trustee" has the meaning given thereto in Section 11.

"Restructuring Court Order" and **"Restructuring Court Orders"** have the meanings given thereto in Section 20(e).

"Restructuring Option" means any transaction involving the refinancing of the Borrower, the sale of all or substantially all of the assets of the Borrower or any other restructuring of the Borrower's businesses and operations, including any liquidation, bankruptcy or other insolvency proceeding in respect of the Borrower

"SISP" has the meaning given there in Section 7.

SCHEDULE "B"
APPROVAL ORDER

Clerk's Stamp

COURT/ESTATE FILE NUMBER 25-2851343

COURT COURT OF QUEEN'S BENCH OF ALBERTA

JUDICIAL CENTRE CALGARY

APPLICANT IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL UNDER SECTION 50.4(1) OF THE BANKRUPTCY AND INSOLVENCY ACT, R.S.C. 1985, c. B-3, AS AMENDED, OF PETROLAMA ENERGY CANADA INC.

DOCUMENT **ORDER**
(Extension of Time to File Proposal, etc.)

ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT **JENSEN SHAWA SOLOMON DUGUID HAWKES LLP**
800, 304 - 8 Avenue SW
Calgary, Alberta T2P 1C2

Christa Nicholson QC / Angad Bedi
Tel: 403 571 1053
Fax: 403 571 1528
nicholsonc@jssbarristers.ca / bedia@jssbarristers.ca
File: 15378.001

DATE ON WHICH ORDER WAS PRONOUNCED: August 10, 2022

NAME OF JUDGE WHO MADE THIS ORDER: Justice K.M. Horner

LOCATION OF HEARING: **Calgary, Alberta**

UPON THE APPLICATION of Petrolama Energy Canada Inc. (the "**Company**") filed August 2, 2022 (the "**Application**"); **AND UPON** having read the Application and the Affidavit of Paul Farley Joslyn sworn August 2, 2022 (the "**Joslyn Affidavit**"); **AND UPON** having read the First Report of the Proposal Trustee, Alvarez & Marsal Canada Inc. (the "**Proposal Trustee**") filed on [DATE]; **AND UPON** having read the Affidavit of Service, to be filed of [TBD], sworn August 2, 2022; **AND UPON** noting the submissions of counsel for the Company, counsel for the Proposal Trustee and the other parties present;

IT IS HEREBY ORDERED AND DECLARED THAT:

Service of the Application

1. The time for service of this Application, together with all supporting materials, is hereby abridged, if necessary, and declared to be good, valid, timely and sufficient and no other person is required to have been served with such documents, and this hearing is properly returnable before this Honourable Court today and further service thereof is hereby dispensed with.

Defined Terms

2. Unless otherwise expressly indicated, all capitalized terms used herein and not otherwise defined shall have the meanings used in the Sales and Investment Solicitation Process (the "SISP") attached as **Exhibit "2"** to the Joslyn Affidavit.

Administration Charge

3. The Proposal Trustee, counsel to the Proposal Trustee, and counsel to the Company, as security for the professional fees and disbursements incurred both before and after the granting of this Order, shall be entitled to the benefits of and are hereby granted a first ranking charge (the "**Administration Charge**") on all of the Collateral, which charge shall not exceed \$150,000 in an aggregate amount.

Interim Financing

4. The Applicant is hereby authorized and empowered to obtain and borrow under a credit facility from 884304 Alberta Ltd., (in such lender capacity, the "**Interim Lender**"; also referred to as the "**Stalking Horse Bidder**") in order to finance the Company's restructuring expenses, provided that borrowings under such credit facility (the "**Interim Facility**") shall not exceed \$300,000 unless permitted by further order of this Court. The Interim Facility shall be extended on the terms and subject to the conditions set forth in the agreement entitled "Interim Financing Terms" between the Company and the Interim Lender, a copy of which is attached as **Exhibit "5"** to the Joslyn Affidavit (the "**Interim Financing Terms**").
5. The Interim Lender shall be entitled to the benefits of and is hereby granted a charge (the "**Interim Lender Charge**") on all of the Collateral to secure the Interim Financing Obligations (as defined in the "**Interim Financing Terms**" which are attached as **Exhibit "5"** to the Joslyn Affidavit) , which charge shall not exceed the aggregate amount advanced on or after the date of this Order together with any Interim Financing Obligations under the Interim Financing Terms, and which charge shall not secure an obligation that exists before this Order is made. The Interim Lender Change shall have the priority set out in paragraphs 8 and 10 hereof.

Directors' and Officers' Charge

6. The Company shall indemnify its directors and officers against obligations and liabilities that they may incur as its directors or officers after the commencement of the BIA Proceedings, except to the extent that, with respect to any officer or director, the obligation or liability was incurred as a result of the director's or officer's gross negligence or wilful misconduct.
7. Each of the directors and officers of the Company shall be entitled to the benefit of and are hereby granted a charge (the "**Directors' and Officers' Charge**") on all of the Collateral, which charge shall not exceed an aggregate amount of \$65,000, as security for the indemnity provided in this Order. The Directors' and Officers' Charge shall have the priority set out in paragraphs 8 and 10 hereof.

Priority of the BIA Charges

8. The priorities of the Administration Charge, the Interim Lender Charge and the Directors' and Officers' Charge (collectively, the "**BIA Charges**"), as among them, shall be as follows:
 - (a) First: Administration Charge, up to the maximum amount of \$150,000;
 - (b) Second: Directors' and Officers' Charge, up to the maximum amount of \$65,000.
and
 - (c) Third: Interim Lender Charge up to a maximum principal amount of \$300,000 plus all other Interim Financing Obligations.
9. The filing, registration or perfection of the BIA Charges shall not be required, and the Charges shall be valid and enforceable for all purposes, including as against any right, title or interest filed, registered, recorded or perfected subsequent to the Charges coming into existence, notwithstanding any such failure to file, register, record or perfect.
10. Each of the BIA Charges (all as constituted and defined herein) shall constitute a charge on all the Collateral and each such charge shall rank in priority to all other security interests, trusts, liens, charges and encumbrances, and claims of secured creditors, statutory or otherwise (collectively, "**Encumbrances**") in favour of any Person except in the case of the Interim Lender Charge which shall be subject to the Permitted Priority Liens as defined in the Interim Financing Terms.
11. Except as otherwise expressly provided for herein, or as may be approved by this Court, the Company shall not grant any Encumbrances over any Collateral that rank in priority to, or *pari passu* with, any of the BIA Charges, unless the Company also obtains the prior written consent of the Proposal Trustee and the beneficiaries of the Administration Charge, the Interim Lender Charge, and the Directors' and Officers' Charge, or same is authorized by further order of this Court.
12. The BIA Charges shall not be rendered invalid or unenforceable and the rights and remedies of the chargees entitled to the benefit of the Charges (collectively, the "**Chargees**") shall not otherwise be limited or impaired in any way by:

- (a) The pendency of these proceedings and the declarations of insolvency made in this Order;
 - (b) Any application(s) for bankruptcy order(s) issued pursuant to BIA, or any bankruptcy order made pursuant to such applications;
 - (c) The filing of any assignments for the general benefit of creditors made pursuant to the BIA;
 - (d) The provisions of any federal or provincial statutes; or
 - (e) Any negative covenants, prohibitions or other similar provisions with respect to borrowings, incurring debt or the creation of Encumbrances, contained in any existing loan documents, lease, sublease, offer to lease or other agreement (collectively, an "**Agreement**") that binds the Company, and notwithstanding any provision to the contrary in any Agreement:
 - (i) neither the creation of the BIA Charges nor the execution, delivery, perfection, registration or performance of any documents in respect thereof shall create or be deemed to constitute a new breach by the Company of any Agreement to which it is a party;
 - (ii) none of the Chargees shall have any liability to any Person whatsoever as a result of any breach of any agreement caused by or resulting from the creation of the BIA Charges; and
 - (iii) the payments made by the Company pursuant to this Order, and the granting of the BIA Charges, do not and will not constitute preferences, fraudulent conveyances, transfers at undervalue, oppressive conduct or other challengeable or voidable transactions under any applicable law.
13. Any interested Person may apply to this Court on notice to any other party likely to be affected for an order to allocate the BIA Charges amongst the various assets comprising the Collateral.

Approval of SISP including Stalking Horse Proposal as a Qualified Bid

14. The SISP, including the SISP Procedures, substantially in the form attached as **Exhibit "2"** to the Joslyn Affidavit, shall be and are hereby approved, including its deeming of the Stalking Horse Proposal as a Qualified Bid and the Company and the Proposal Trustee are authorized and directed to carry out the SISP in accordance with the SISP Procedures and this Order, and are hereby authorized and directed to take such steps as they consider necessary or appropriate in carrying out each of their obligations thereunder, subject to prior approval of this Court being obtained before the completion of any transaction(s) resulting pursuant to the SISP.

15. For greater certainty, nothing herein approves the transaction contemplated in the Stalking Horse Proposal, and the approval of any transaction contemplated by the SISP shall be determined on a subsequent application made to this Court.

Extension of Time to file a Proposal

16. Pursuant to subsection 50.4(9) of the BIA, the period within which the Company is required to file a proposal to its creditors with the Official Receiver under subsection 62(1) of the BIA shall be and is hereby extended to 11:59 pm (local Calgary time) on October 10, 2022.

Service of This Order

17. Service of this Order shall be deemed to be achieved by posting a copy of this Order on the website of the Proposal Trustee, namely www.alvarezandmarsal.com/petrolama and by delivering an electronic copy of this Order to those parties listed on the Service List prepared by counsel for the Company.

Justice of the Court of Queen's Bench of Alberta